LT LATIN TRADE

COUNTRY REPORT: **MEXICO, THE RIGHT STRATEGY FOR GROWTH**

THE RISE OF THE LATIN HOLDING COMPANY:

WHO THEY ARE, HOW THEY EMERGED AND WHY THEY'RE IMPORTANT TO REGIONAL GROWTH

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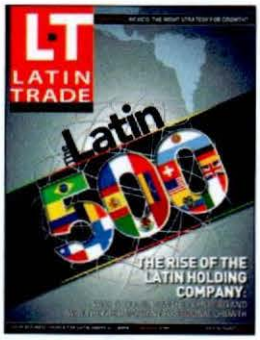

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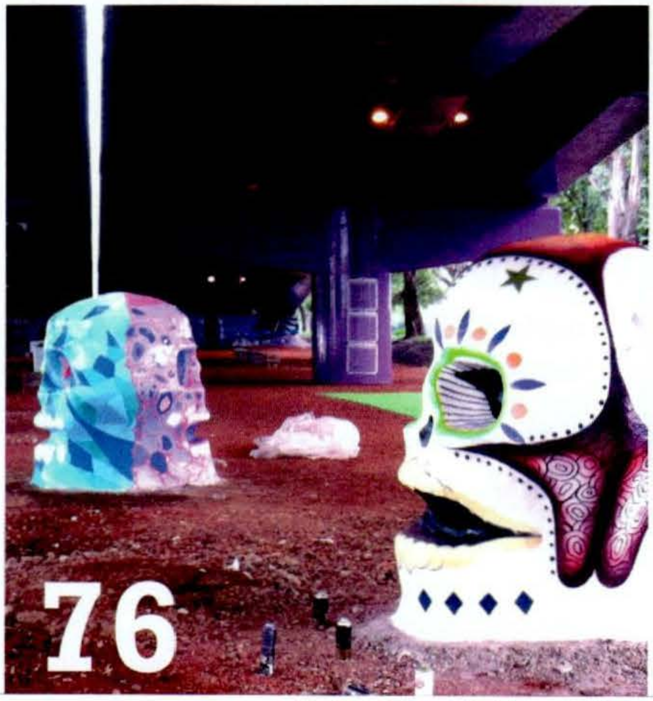

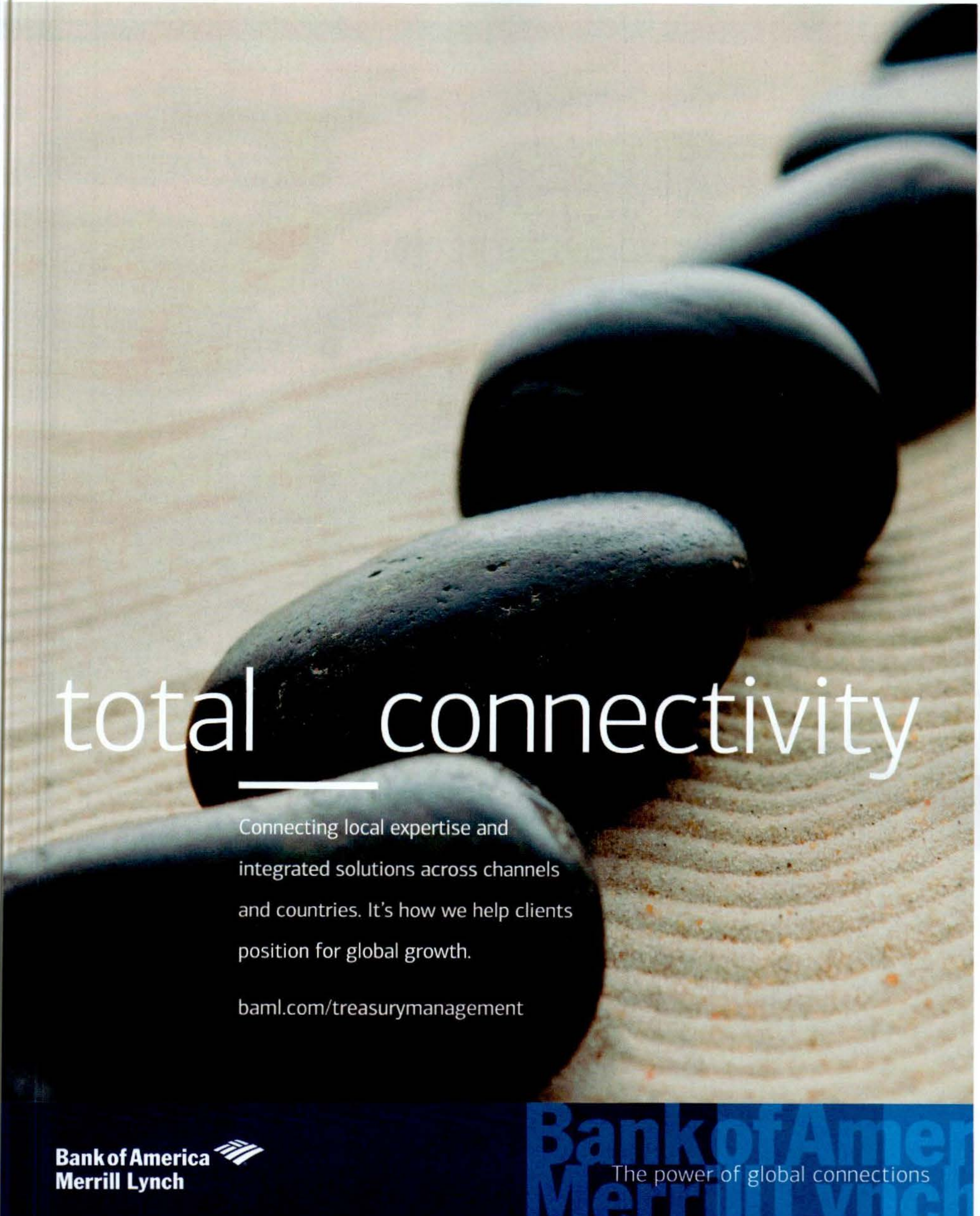
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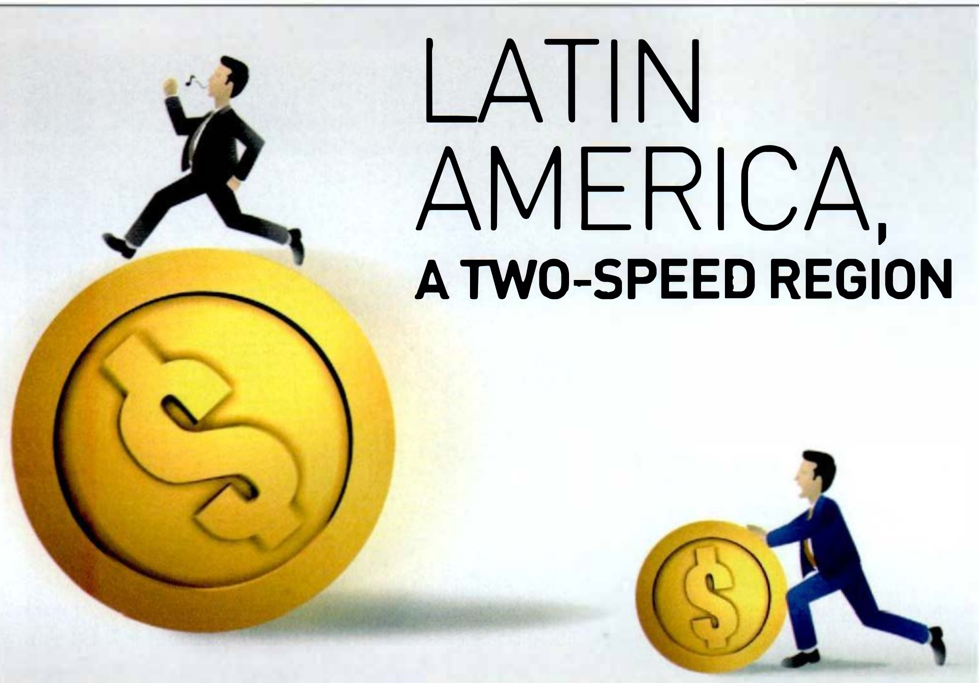

LATIN AMERICA, A TWO-SPEED REGION

The largest 500 companies in Latin America are growing substantially faster than the countries in which they are based. Welcome the Latin Holdcos, the region's new entrepreneurial phenomenon.

Latin America's entrepreneurial panorama has two salient innovations. The first is the region's 500 biggest non-financial companies had combined sales of $2.7 trillion in 2012. That's slightly larger than Brazil's GDP and equal to the combined sales of the world's 14 largest companies. Their revenues grew by 8.1 percent last year, which is 2.6 times greater than the 3.1 percent growth of Latin America's GDP.

These figures are tremendously important because they show that the companies are growing at an accelerating pace. At the current rate, they could double their revenues in eight years. But, it also shows up the gigantic lag in the rest of Latin America's productive structure. For economic growth to be at its current level, it's obvious that the smaller businesses are moving at a different speed, substantially slower.

The academic literature is full of studies that show that behind this phenomenon of slow growth is a problem of productivity. The numbers allow us to see what a serious issue this is. Calculations from the Oecd show that the productivity of Latin America's large companies is six times greater than that of the small and medium-sized businesses. In that organization's member countries, the difference between the large and small companies is 2.4 times in terms of productivity. What's worse is that small businesses comprise 99 percent of all companies, and account for 67 percent of the region's jobs.

There are several parts to an action plan to improve this situation. One is to end the isolation of small businesses from the productive sector. The governments and the Latin 500 could do a lot to link this archipelago of lagging companies to the bigger ones with expanding markets. By the same token, improve their access to innovation, education, information technology and financing. Success in this project would undoubtedly also reduce the inequality of opportunities that permeates the region.

Small business policies aren't the only solution. There is a surprising absence of companies from the service sector, apart from telecommunications and transportation, in the Latin 500 ranking. Sales from companies in health, media, education, water and other services come to barely 2 percent of the total revenues of the Latin 500. There is also a large body of studies which shows that productivity in services is one of the fundamental conditions for economic growth. Yet another task for businesses and government.

There's one other strategy: to preserve and promote the growth of the 500. It might appear strange to suggest support for the wealthy, but improving business conditions for large companies is not a bad idea. Taking advantage of their accelerated expansion may anticipate the arrival of material prosperity to nations. Just ask Singaporeans.

The second major innovation. In 2012, the Latin 500 ranking shows a notorious advance of the holding companies. Last year, they reported a 46 percent increase in their revenues. In 2012, there were 11 holding companies on the 500 list, with combined revenues, which represent 4.6 percent of total sales. In 2011, there were 8, with 3.4 percent of the total.

This is not a passing phase. Reorganizing conglomerates around a holding company, or holding company's expansion, is a new trend for corporate Latin America. We have christened them Latin Holdcos, the holding companies of the Latin American groups. LT

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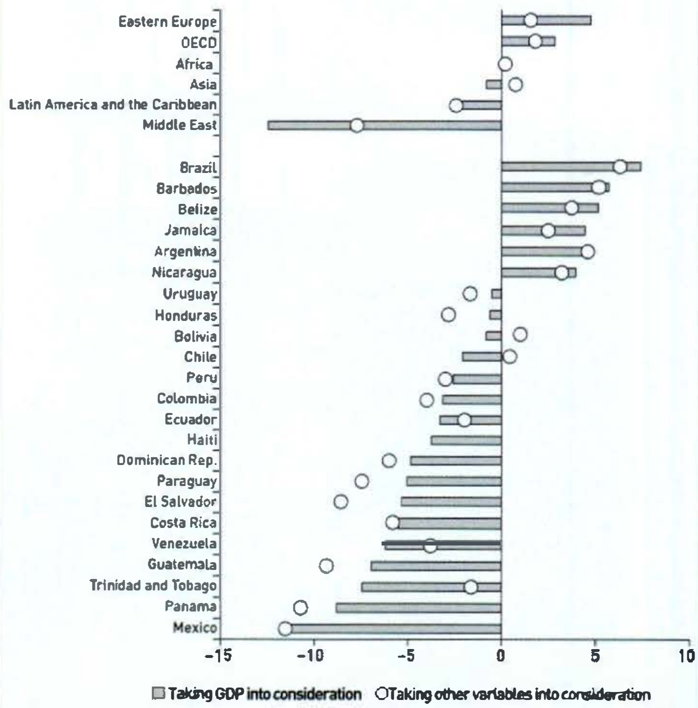
In need of more tax reforms

"The most important reforms that need to take place in order to achieve sustainable and inclusive development in Latin America and the Caribbean, are those in the financial and taxing systems of the region." This is the opening line of *More than Revenue*, a book that was recently published by the Interamerican Development Bank (IDB). The authors state that thanks to the strong growth of most Latin American economies in recent years, and the introduction of changes in financial structures in some of the countries, many of them have experienced a reduction in the public debt ratio. It highlights improvements in the quality and efficiency of tax policies and an increase in the amount of collected taxes. Nevertheless, it also points out the shortcomings and weaknesses of these systems and it suggests that the potential revenue is far from being exhausted. One of the issues that was analyzed, the tax burden gap imposed according to income per capita, illustrates this reality: Mexico occupies the last place with an 11.5 GDP points gap, and all 23 Latin American countries studied in the book have an average tax burden gap of 2 GDP points approximately.

Note: The "gap" is the excess or shortfall of revenues compared to international standards, based on GDP and "other variables:" the proportion of the population under 15 and over 65, the percentage of the workforce labor that is self-employed, the ratio of exports and imports relative to GDP and the ratio of income from natural resources to GDP.
Source: IDB, *More than Revenue: Taxation as a Development Tool*

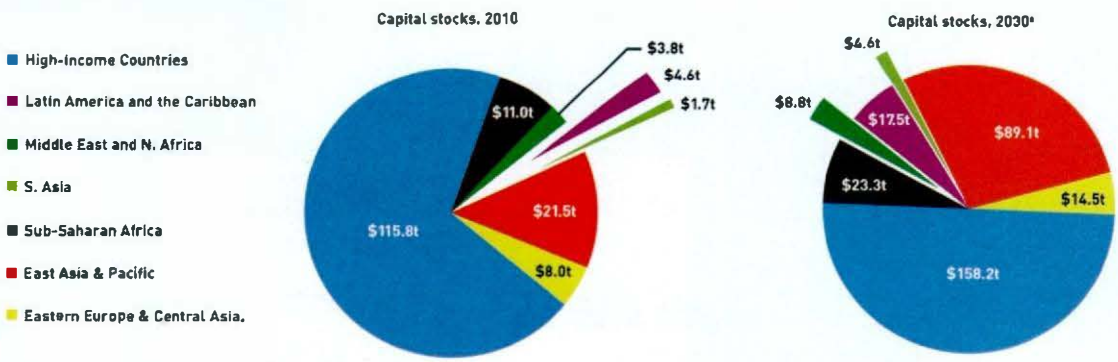
TAX Burden Gap



Latin America to double its capital stock

By the year 2030, half of the world's capital stock will be in developing countries. This is suggested in *Capital for the Future: Saving and Investment in an Interdependent World*, from the World Bank, which studies different investment and savings scenarios for the next 20 years. Global capital stock will move to the developing world and, along with South Asia, Latin America and the Caribbean, will be the region that will get the lion's share in this transition. However, a fairer distribution of welfare and capital on a global scale does not necessarily mean that the same redistributive changes will occur within countries. In developing economies, welfare and capital savings are still very much limited to high-income households. Moreover, the less educated groups of population tend to have lower incomes throughout their lives, and thus to make very little or no savings at all. This is why they cannot escape the poverty trap, an undeniable situation in Latin America. For this reason, the book states that to avoid the perpetuation of unduly differences in income, savings and welfare, it is necessary to have a thorough "redistribution" of education amongst workers.

Developing countries will represent more than half of global capital stocks by 2030 in the gradual convergence scenario, compared with about a third in 2010



Source: World Bank, Capital for the Future: Saving and Investment in an Interdependent World.

OH, CANADA?

BY JOHN PRICE

CANADÁ		CHINA
$54 billion	FDI Stock in LAC (2010)	$26 billion
$70 billion	FDI Stock in LAC (2013 est.)	$54 billion
20 percent	% of global FDI goes to LAC ('05-'10)	9 percent
Chile, Costa Rica, Mexico (Nafta)	Active Trade Agreements	Peru, Chile, Costa Rica
Peru, Colombia, DR, Central America (4), Caricom, Panama	Pending Trade Agreements	N/A
$35 billion	2-way trade with LAC (2012 est.)	$255 billion

When the upstart Canadian Council for the Americas hosted its first gala dinner in 2011 in Toronto, the event sold out in a few weeks, with over 400 people paying $500 per seat. Attending Canadian media was astounded. Canadian business was not.

The relationship between Canada and Latin America & the Caribbean (LAC) dates back close to 300 years when Halifax ships brought cod and timber to Kingston in return for sugar and rum. Since 2005, however, the investment ties between the two have soared, propelled overwhelmingly by the mining industry. In most sectors, Canadian companies struggle to reach the global top 25 list. But in banking and mining, Canada is home to three and four entries on the top 25 lists respectively. Canadian miners have led the recent charge into Latin America, including some little-known mining jurisdictions: Ecuador, Guatemala, Dominican Republic, Argentina, Colombia, Panama and Suriname.

Canadian miners operate close to 80 mines in Latin America, most of which are located in Chile, Peru, Mexico, Brazil and Argentina. Leading the charge into the region are some of Canada's largest miners: Barrick Gold, Yamana Gold, Goldcorp, Teck, Kinross Gold, Pan American Silver and Sherritt International. Combined, Canadian firms extract $18.7 billion per year from Latin American mines, and employ an estimated 150,000 people in the region.

By 2010, Canadian companies had invested close to $54 billion in the region, placing Canada fifth in the ranks, well ahead of China, which has captured most of the headlines in LAC over the last five years as the new investor on the block. Chinese investment stock in 2010 reached approximately $25 billion, ranking the country eighth on the same list. From 2005-2010, 20 percent of all outbound foreign direct investment from Canada went to LAC, more than all investments in Asia by Canadian firms.

The second leading sector of Canadian investment in LAC is financial services. Toronto-headquartered Scotiabank is now estimated to be the eighth largest bank in Latin America with significant market positions in Mexico, Peru, Colombia, Mexico, Trinidad & Tobago, Jamaica, and the Dominican Republic. A lesser known, but equally historic investor, is Brookfield, once known as Brascan, who built some of the first street lights in Brazil in the late 19th century. Today, Brookfield has over $18 billion of assets under management in South America.

Between Quebec, Ontario and Mexico flows the third great tranche of Canadian investment in Latin America, that of manufacturing. Canada's highly competitive auto parts industry was first drawn to Mexico in the 90s as their U.S. assembler clients moved or expanded south of the Rio Grande. Having been forced, almost against their will, to invest in Mexico, some of the Canadian first-tier suppliers like Magna thrived in northern Mexico and found other assembler clients to service.

Though the impetus to invest in Latin American came from Canadian industry, Ottawa has been a supportive partner. Canada now has active free trade agreements with Chile, Mexico and Costa Rica and pending agreements with Colombia, Peru, Panama, Dominican Republic, four countries in Central America and Caricom. In 2007, the Harper government surprised many with its Americas Strategy, naming Latin America & the Caribbean as Canada's top priority region for commercial development (outside of the U.S. – the de facto number one market), ahead of anywhere in Asia, Europe, Africa or Oceana.

Outside of mining, most Canadian companies have chosen a niche strategy in Latin America, either opting to service the needs of an established multinational customer or choosing the less traveled paths of small and mid-size markets. Investing in Peru, Colombia, and the Caribbean has proven highly profitable to Scotiabank. It lacks the economies of scale to compete in highly competitive investment banking and trade finance fields, and instead has entered the more risky, but profitable, realm of underserviced retail banking in smaller markets.

Keeping a low profile is indeed the Canadian way. It has been a crucial success factor for Canadian investors in Latin America. It is also one reason why the dramatic expansion of Canadian presence in the region has largely gone unnoticed by Latin Americans and Canadians alike. LT

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STRONG MEDICINE

The pharmaceutical industry has made strong moves in Latin America. High volumes and healthy market growth are driving investment decisions, but hurdles remain.

BY THIERRY OGIER

In April 2013, the Brazilian health minister, Alexandre Padilha, flew down to São Paulo to unveil a series of eight agreements with manufacturers to produce 10 drugs locally and some $3.5 billion in low-cost loans to foster innovation. "The least the government spends with imports, the greater the number of medicines the government will be able to supply the national health service (locally known as SUS) for free," he said. Last year, Brazil's pharmaceutical industry registered a deficit of 10.5 billion reais (around $5 billion), and the government is pushing hard for technology transfer. Foreign pharmaceutical companies agree to pass on their knowledge to domestic institutions to produce a drug or a medicine locally within five years. In return, they enjoy the exclusive rights to supply the government with these products at market value during this period.

The pharmaceutical sector has been part of Brazil's industrial policy since Lula's era, and is Latin America's, and one of the world's, largest healthcare market. According to Fernando Pimentel, the Brazilian minister of development, in charge of industrial policy known as "Brasil Maior" (Greater Brazil), as many as 35 companies are already involved in the government operation. Demand for better healthcare and for quality drugs is growing, and a substantial part of the Brazilian middle class, according to a McKinsey survey, is ready to increase its medical spending, as the public sector is struggling to cope with such demand. "While [the middle class] does not spend as much on drugs out-of-pocket as the upper classes does, on a per capita basis, its sheer size translates into total spending almost twice as big as that of wealthier segments. Global pharma companies should not ignore it," wrote Sanjeev Agarwal, João d'Almeida, and Tracy Francis in a joint McKinsey article.

Developing countries are definitely on the radar of pharmaceutical companies, especially since the global financial crisis of 2007-08.

CONSOLIDATION ROUNDS

In Brazil, perhaps more than anywhere else in Latin America, economic activity has remained subdued lately, but investors are still banking on its long-term potential. The per capita spending on medicines is still relatively low, much lower than in Mexico, the region's second largest market, for instance. But, there are currently over 700 manufacturers and 1,000 pharmaceutical plants in Brazil, and the scope for consolidation is still great.

"Developing countries are definitely on the radar of pharmaceutical companies, especially since the global financial crisis of 2007-08. Pharmaceutical companies have been doubling their efforts to sell in emerging markets. They are desperate to expand in developing countries," said Jamie Davies, head of pharmaceuticals, medical devices & healthcare at Business Monitor International. "Brazil is one of the most open markets in terms of mergers and acquisitions. It is easier to buy companies there than it is in China and Russia," he said.

GROWTH OF GENERICS

The most significant deals have taken place in the growing generics industry in the wake of Sanofi's acquisition of Medley in 2009, which allowed the French group to assume the leadership of the local industry, soon after Pfizer purchased Teuto. Smaller acquisitions later involved Belgian UCB and Japanese Takeda, while India's generics producers, such as Ranbaxy, entered the domestic market. While fewer local companies are now up for grabs (such as Aché and EMS), the trend will be towards smaller transactions, according to Davies. "There have been a series of big deals... but we would highlight smaller companies and unlisted companies as one area where there are investment opportunities," he said. "It is a natural evolution as the overall market is expanding, a lot of small players emerge."

Meanwhile, British GSK and Takeda's subsidiary Nycomed, are also investing in vaccine production, sometimes in partnership with the government. There has been some spectacular deals in the drugstore/retail sector (U.S.-based CVS acquired a majority stake in Onofre this year, following a wave of intense consolidation among Brazilian players in recent years), and in the private health insurance industry (in October 2012, U.S.'s UnitedHealth agreed to pay $4.9

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"Brazil is one of the most open markets in terms of mergers and acquisitions. It is easier to buy companies there than it is in China and Russia."

Jamie Davies, head of pharmaceuticals, medical devices & healthcare at Business Monitor International

billion to purchase Amil, which had previously acquired several domestic competitors).

"Brazil is very high up in emerging markets priority globally. [Health insurance] is an attractive area, it has had a lot of government support in Brazil. The government is very keen to promote the provision of healthcare, which is not the case in India," said Davies.

REGULATING THE REGULATORS

Market size is not everything. The regulatory environment is very uneven across the region. "Each country has its own regulatory system, and they are not all up to international standards. This is a challenge for companies, because regulations are not great for their stage of development. They should have better regulations," said Davies. While Argentina and Venezuela fared poorly and have often taken foreign investors aback, Mexico has been considered more investor friendly than Brazil. Its status as an open economy, and its multiple trade agreements should also attract investments from those manufacturers that want to use the country as an export platform. "Things have been improving there. Mexico used to be an underperformer in terms of economic growth. This is changing. Most importantly, there have been improvements in the regulatory system. They used to have a backlog of approval of medicines that spanned several years. This is now back to one year or two, which is a lot more manageable. Companies are now looking at Mexico again to launch new drugs," said Davies. If drugs have already been approved in the U.S., in Canada or in Europe, the approval process is even quicker.

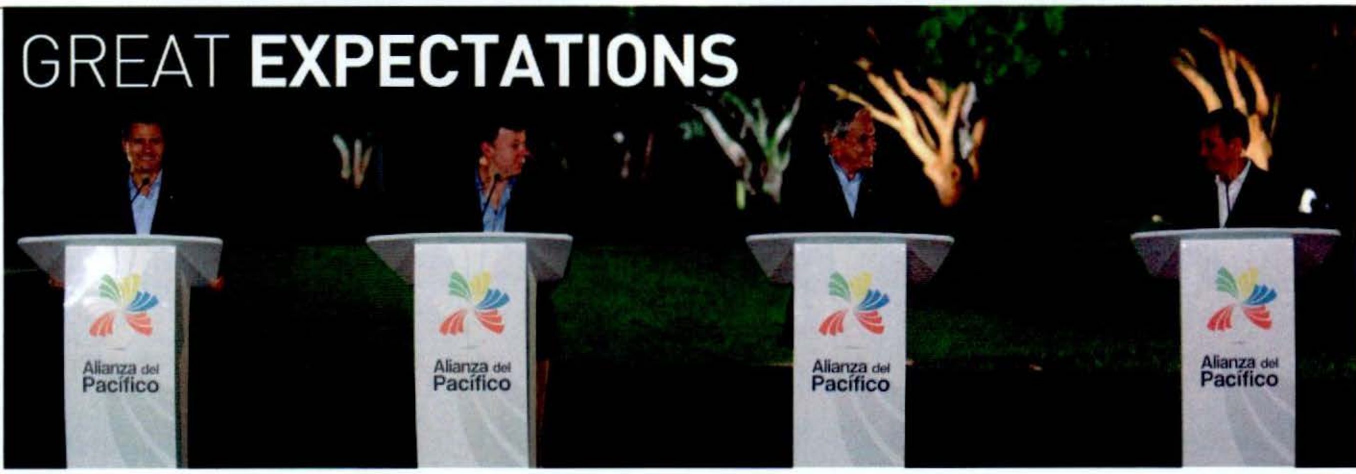
Meanwhile, it may still take more than two years to register a new medicine in Brazil. The regulating agency Anvisa is trying to implement an electronic system that would cut the registration process down to six months, but there has been little progress so far. "Regulations are fine but there are not implemented," said Antonio Britto, president of the Brazilian association of research pharmaceutical industry, Interfarma. According to Britto, Anvisa is short staffed to meet all its requirements ranging from food, cosmetics to drugs.

PRICE CONTROLS

Pricing is also an issue for the industry in Brazil. Drug prices have been capped for the past 10 years and increase on an annual basis. In Mexico, only patented drugs are subject to price controls. Price controls do not necessarily make drugs affordable. There is still a huge unmet demand from the patients' point-of-view. Britto has some telling figures: he says that Brazilian consumers currently have to bear three quarters of the cost of medicine themselves. The consequence is that 52 percent of the treatment of patients is actually interrupted before their completion. LT

Thierry Ogier reported from São Paulo.

GREAT EXPECTATIONS



The Pacific Alliance has captured the hearts of many Latin Americans who expect the integration agreement to drive economic growth.

Presidents of Mexico, Enrique Pena Nieto; Colombia, Juan Manuel Santos; Chile, Sebastian Pinera; and Peru, Ollanta Humala, participate in a press conference at the closure of the 7th Summit of Pacific Alliance held in Cali, Colombia.

BY GIDEON LONG

In the year since the Pacific Alliance was formally launched at the Paranal Observatory innorthern Chile, presidents across Latin America have lavished it with praise. At the Alliance's most recent summit, in the Colombian city of Cali in late May, Chilean President Sebastián Piñera hailed the trade bloc as "probably the most successful experience of integration that Latin America has had in its history."

That is quite a claim for an entity that is barely a year old and includes only four countries as members. So what is the Pacific Alliance, and is it really as magnificent as Latin America's presidents would have us believe?

The bloc was set up in June 2012 by Chile, Colombia, México and Peru. Although they insist the Alliance is not a rival to Mercosur, the trade bloc dominated by Brazil and Argentina, it is difficult not to see it as such. Mercosur has become increasingly hamstrung by protectionism in recent years, and the founding members of the Alliance have clearly decided their future lies in freer trade and cooperation.

The Alliance countries also have an advantage over their Mercosur neighbors in that they all boast Pacific coastlines and increasingly look west, to the thriving economies of Asia. Although it is only a year old, the Alliance seems to be emerging as the most dynamic trade bloc in the region.

Together, the member countries have a combined gross domestic product (GDP) of around $2 trillion – a third of the Latin American total – and accounts for half the region's exports. They are, between them, a rival to Brazil. Last year, their combined exports were worth $556 billion and their imports $551 billion. Combined, it would boast the world's ninth largest economy, accounting for 2.7 percent of global GDP.

In its short life, the trade bloc has achieved a lot. The member states have agreed to scrap tourist and business visas and will strive to make work visas more readily available. They made cross-border grants available to their students so they can study more easily in the other member states.

They have agreed to scrap tariffs on 90 percent of their shared merchandise trade and to eliminate the remaining 10 percent by the end of the decade.

The Pacific Alliance is also tackling issues like tax harmonization and trying to establish common sanitary regulations for trade in livestock and agricultural produce.

Despite their successes, the Alliance countries still have a lot to do to integrate their economies. They abolished tariffs on 90 percent of their trade without much opposition, but the remaining 10 percent (mostly levies on agricultural trade) will be more difficult.

The four countries have started to integrate their stock exchanges but, again, they have a long way to go. In 2011, Chile, Colombia and Peru established the Latin American Integrated Market (Mila) but so far, the value of cross-border trade on Mila has been negligible. In its first two years of operation, it totalled only around $120 million, less than the value of shares traded on a typical day on the Santiago stock exchange.

Still, Mila is a bold initiative, and the arrival of Mexican equities to the trading platform should give it a boost.

The four countries need to liberalize their labor markets further. In Chile, for example, large companies are obliged by law to restrict the number of foreigners on their payroll to 15 percent of the total.

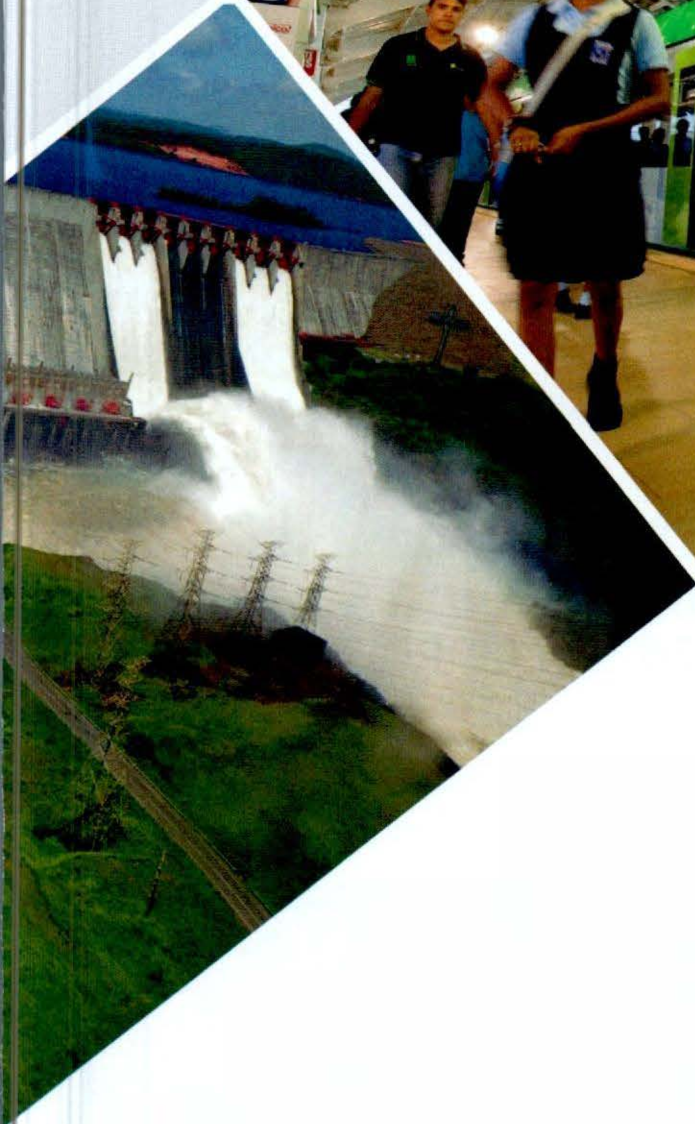
Given that all of the Alliance's four countries already have free trade agreements in place with each other, the amount of trade between them is surprisingly modest. For example, Chile's sales to the other three countries represent just 5.2 percent of Chilean exports to the world. Figures for the other countries in the Alliance are similarly small. Colombian imports from Chile, México and Peru were worth only around $6.4 billion last year.

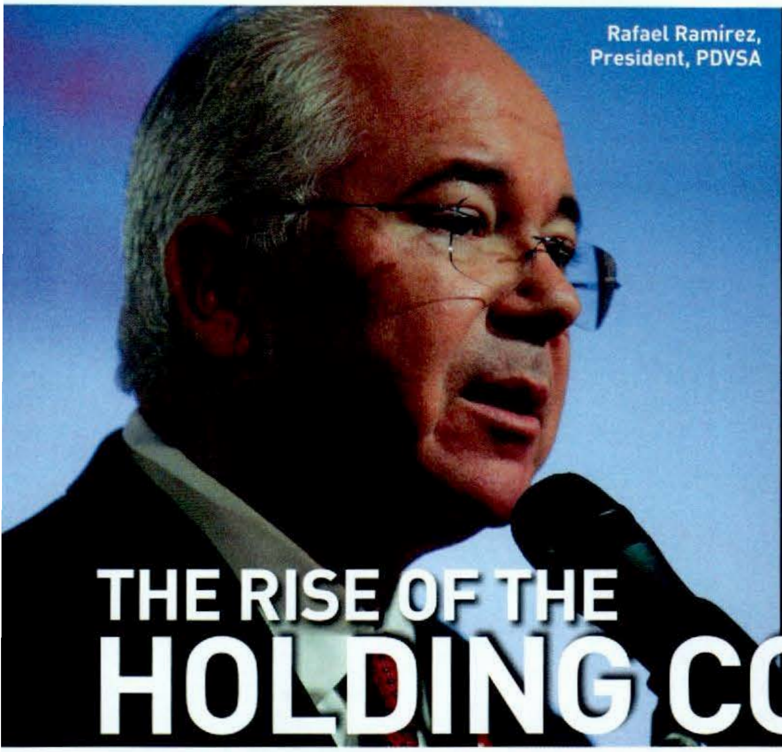
No fewer than 16 countries have been granted Pacific Alliance "observer status." Interestingly though, only one Asian country, Japan, has asked for and has been granted that status. That suggests the trade block still has to find ways to extend its reach across the Pacific.

There is work to be done. Conquering the hearts and minds of Latin American presidents like Laura Chinchilla is one thing, and the Alliance has undoubtedly started to do that. Conquering Asia's huge, booming consumer markets is quite another.

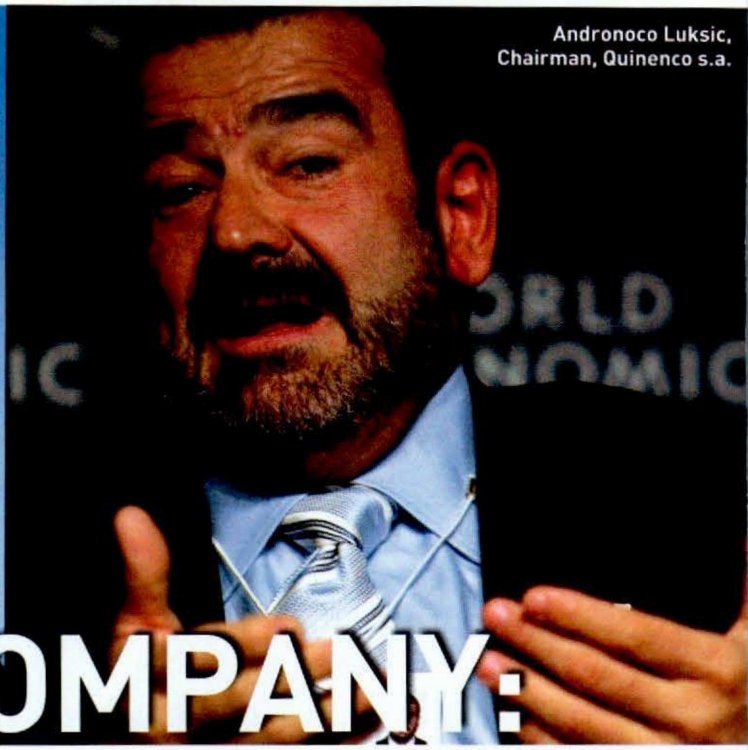
Gideon Long reported from Cali, Colombia.

PHOTO: CHRISTIAN ESCOBAR MORA/EPA/NEWSCOM





Rafael Ramirez, President, PDVSA



Andronoco Luksic, Chairman, Quinenco s.a.

THE RISE OF THE HOLDING COMPANY:

WHO THEY ARE, HOW THEY'VE ARISEN AND WHY THEY'RE IMPORTANT TO REGIONAL GROWTH.

Holding companies posted double-digit rate growth in revenues in 2012, and are one of the most dynamic sectors among the Top Latin 500. Industries in traditional activities such as energy, food, beverage and retail, lead the ranking.

Marcelo Odebrecht, CEO, Odebrecht

Emilio Lozoya, CEO, Petroleos Mexicanos

BY ÁLVARO MORENO

They come from every economic direction, they are distributed in the five largest Latin American countries, and reported a 45.9 percent income growth in 2012. This is a new trend in business organization that will most likely be adopted by all the major players in the region over the coming years, if they really want to become global. Meet the Latin Holdcos, the holding companies of Latin American groups.

Last year, there were 11 holding companies on the Top-500 list, which posted $122.1 billion in sales, 4.6 percent of the roughly $2.7 trillion total revenue of the largest non-financial companies in the region. In 2011, there were eight, which sold $83.7 billion, 3.4 percent of the total revenue of the *Latin Trade* 500.

But the Holdcos' vertiginous growth does not seem to be a one-year phenomenon but rather a trend, because they are the perfect tool for conglomerates to coordinate their strategies, facilitate company buying/selling decisions, and to preserve corporate culture. They are the next step for family businesses that want to become global players.

The largest holding company is the Brazilian construction giant Odebrecht. This one has already made its way to the top 10 in the general ranking, where it occupies the ninth place thanks to revenues that exceeded $37.4 billion in 2012. It was founded in 1981 to unify a growth strategy for the 16 businesses that are part of the group, and to maintain what they call their "philosophical unity," which was set forth in Tecnología Empresarial Odebrecht, a compilation of principles envisioned 65 years ago by the founder, Norberto Odebrecht.

This holding's revenues increased 12.2 percent in 2012, thanks to its participation in the areas of engineering and construction, infrastructure, energy, the assembly of industrial facilities, and what the company calls auxiliary institutions, which are firms created to protect the organization's capital and to ensure economic stability for its employees. The holding has very strong international representation: 35 countries in four continents.

The second Latin Holdco heavyweight is Argentinean Techint. It controls six firms with global reach, all of them world or regional leaders in their fields. Two of them are ranked among the top 100 of the Latin 500: Tenaris (ranked 55), a global leader in steel pipes production; and Ternium (ranked 68), the number one provider of steel products in Latin America. Other branches of the group are Techint Engineering & Construction; Tenova, which provides advanced technology for the iron, steel and mining industries; Tecpetrol, oil producers; and Humanitas, the head of their health business, which has a pretty strong presence in Italy.

Individual companies in Techint have more freedom than in Odebrecht regarding strategy design and goal setting, but they are all bonded together by founder, Agostino Rocca's original philosophy, which centers on the belief that corporate survival in the long run depends on being committed to local development. Techint holding posted $25.5 billion in revenues in 2012, making it the 13th biggest non-financial company in Latin America.

Two highly diversified companies complete the group of Latin Holdcos with yearly sales above $10 billion. One of them, Mexican Alfa, does business in petrochemicals, natural gas and hydrocarbons, aluminum car parts, telecommunications and food, reporting revenues of roughly $15.5 billion in 2012, which places it as number 33 in the ranking. The other is Brazilian Votorantim, a holding company that ranks 46 on the 500 list with $12.1 billion reported revenues that come from its activities in the cement, metal, energy, steel, paper, cellulose, agriculture and financial sectors, among others.

Three Latin Holdcos are among the biggest 100 companies in the region: EPM Group, number one electricity provider in Colombia (ranked 86); Brazilian construction and engineering Andrade Gutierrez (ranked 87); and Mexican group Carso (ranked 94), which controls companies in manufacture, retail, infrastructure and construction sectors.

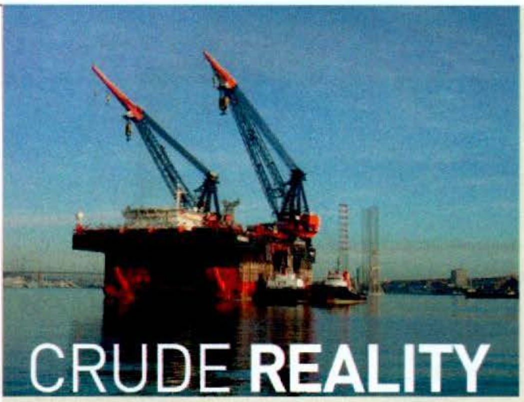
This list of Latin Holdcos in the top 500 closes with Quiñenco (169), which controls companies in the financial and manufacturingsectors in Chile; Grupo OAS (170), with businesses in engineering and infrastructure in Brazil; Xignux (223), diversified in electrical transformers, automotive, petrochemical, lighting, foodstuff and cold meats in Mexico; and Grupo Algar (303), with investments in telecommunication, agribusinesses, insurance, aviation and tourism in Brazil.

The labyrinthian accounting of some conglomerates does not always allow the identification of other Latin Holdcos that have also grown explosively in the last few years. Nevertheless, what seems clear is that regional entrepreneurs are reorganizing their businesses around clearly set holding companies, which have proven to be a formidable way of unifying the direction of conglomerates. Certainly, many more will appear to foster growth and globalization of multilatinas. This will be a very important trend in the region.

RESULTS FROM THE 500

In *Latin Trade*'s 500 ranking, companies in the energy sector still prevail, notwithstanding the fact that their performance is showing signs of slowing down. They are 20 percent of the companies on the list, and they account for 33 percent of total sales. Retailers are also among the largest: 68 companies account for 13 percent of sales and their growth rate, as a group, is above 17 percent. Following retailers, 47 technology companies account for 10.5 percent of the 500's total sales, and they grow at a 12.3 rate. Meanwhile, big groups in the food and beverage segments grow at 11 and 16 percent rates, respectively.

Brazil and Mexico undoubtedly take the lead in country participation in the ranking, while Chile and Colombia increased their presence. The number of Peruvian companies in the 500 list is also on the rise, while Argentina loses territory in *Latin Trade*'s 500 – a reflection of the differences between the economic models adopted by these countries in the past years.



CRUDE REALITY

ONLY THREE COMPANIES in the region exceeded $100 billion in revenues. They are all oil extraction companies: Petrobras, Pemex and Pdvsa.

Pdvsa came in first place two years ago, and it lost one more position this year, placing 3rd in the ranking. Even so, the state-owned Venezuelan oil company more than doubles the sales of fourth-ranked America Movil, a telecommunications giant and the first privately owned company on the list, property of the wealthiest man in the world, Carlos Slim.

The fifth on the list is Brazilian mining company Vale, which is also one of the largest miners in the world. Overall, four out of the five biggest regional companies are in extractive activities, and make 88 percent of the top five's total revenues.

In order to be able to understand the extent to which Latin American companies are concentrated around oil extraction, it is useful to point out that the combined revenues of Petrobras, Pemex and Pdvsa, add roughly to $400 billion, a larger figure than the revenues of all the 250 companies ranked at the bottom half of the list.

The preponderance of firms on primary activities is also evident among the first 10 entries of the ranking. BR Distribuidora, ranked 7th, is Petrobras' distribution arm of ethanol and oil destilates. In 8th place is Colombian oil company Ecopetrol – a public enterprise opened to private investors in 2007. In all, five out of the 10 biggest companies in the region are in the oil business, and posted revenues for more than $466 billion in 2012. This figure is slightly smaller than the sales reported by Walmart, the largest company in the U.S. This concentration on oil is not common to other regions.

Nonetheless, Latin America is an important global player in the energy industry. Petrobras ranks 23rd and Pemex 24th in the world's biggest companies ranking – the only Latin American companies that made it into the global top 100.

In general, one out of every five of the *Latin Trade*'s 500 companies fall under the energy category; 36 companies belong to the mining industry, 17 to the steel sector, three to the aluminum sector, and six are cement producers. This means one third of the 500 largest companies in Latin America currently concentrate their business in extraction and use of natural resources.

This situation offers significant benefits, but it also imposes major challenges. Among the benefits, the region has gained a diva status among investors in these activities, a fact that has fostered large foreign direct investments in practically every country. As for the challenges,
the combination of foreign investment flows and high commodity prices has brought about currency appreciations and other symptoms of the so-called Dutch disease, which must not be overlooked. The disease induces the concentration of economies in a small number of productive sectors, especially commodity producers.

The fact that this sector prevails among the top 500 Latin American companies is a trend shared by the rest of the world. The first and second biggest companies in the world, Shell and Exxon Mobil, fall within this category and seven of the 10 biggest belong to the oil sector – next to Shell and Exxon Mobile, we have BP (ranked number 4), Sinopec (5), China National Petroleum (6), Chevron (8), and ConocoPhillips (9).

But, there is a big difference between the major Latin American oil companies, and those from the rest of the world: Latin Americans are mainly focused on extraction and distribution of crude oil, while the other widen their profit margins adding value to crude oil, by means of very innovative, highly technical, in more complex stages of the industrial production.

DEFYING DESTINY

BESIDES ENERGY, the Latin American productive sector is led by other traditional businesses in the food, beverage and retail industries.

Brazilian giant JBS, this year number 10 on the list of the Latin 500, is currently the largest animal-protein processing company in the world. It has offices in Brazil, Argentina, Italy, Australia, United States, Uruguay, Paraguay, Mexico, China and Russia, and 140 production units around the world, from where they deliver their products to households in all continents.

Among the Top 500, there are other 28 success stories in the food and beverage industry, of Latin American firms that have prospered along with world giants like Nestle, Kellogg's and PepsiCo, which have a long-standing presence in the region. Brazil is the country of origin of many of these companies. One of them is Brasil Foods, ranked 38th, which is a heavyweight in fresh and processed foods. Another is Marfrig, specialized in processed foods of animal origin, which is ranked 50. It is not an overstatement to say that these three companies are the reason why Brazil has achieved world-

wide prominence in the food sector.

The food sector accounted for 4.1 percent of the Latin 500 total sales, and it grew 11

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percent year-on-year.

The beverage industry in Latin America has grown at the same speed as the food industry. Twenty out of the 500 largest Latin companies belong to this sector and Mexican company, Femsa, is the undeniable leader, with businesses like Femsa (ranked 24) and Coca-Cola Femsa (ranked 53).

However, beer breweries are probably the most interesting segment of the beverage industry in the region. Brazilian company, AmBev (ranked 31), has the leading role here. Home to traditional brands, Antartica and Brahma, AmBev gave up control of its business to the Belgian AB InBev, following the example set by other Latin American brewers like the Mexican Grupo Modelo (ranked 76), who in a sort of spin of fate, was sold recently to AB InBev. Similarly, South African brewer SABMiller took-over several businesses in countries other than Mexico and Brazil where its Belgian rival seems to have won the war for market dominance. Among them, SABMiller bought Colombian Bavaria (ranked 18).

In the smaller wine segment, the uncontested leader is Chilean Concha y Toro. It is the only company from this industry that made the 500 list, placing 456th. It is not the first time the 130 year-old winery makes it on the ranking, and it will not be the last if it manages to fulfill its plan to become one of the leading brands in the wine world. This goal may be achieved if it maintains its position as Latin America's first wine exporter, and if it strengthens its marketing strategy, which already has allowed Concha y Toro to become one of the most renowned brands in the world and which has opened markets in 135 countries.

A third major industry in the region is retail. There are currently 68 retailers among the Latin 500, and all of them have achieved a good level of technological sophistication to deal with the operational complexities of this activity.

Brazilian CDB (ranked 15), owner of the Pão de Açúcar and the Viavarejo groups (ranked 54), stands out among the Latin Americans for its sheer size. Followed by Chilean company Cencosud (ranked 21), which, notwithstanding its smaller size, has managed to consolidate a strong international presence unprecedented in the region, only comparable to the one achieved by another Chilean retailer, Falabella (52). Mexican companies do not lag behind, with their Bodega Aurrerá (ranked 57), Soriana (72), Sam's Club (84) and Oxxo (92). There are also major international chains with strong presence in the region, like Walmart, Casino and Carrefour.

ANTICIPATING THE FUTURE

TEN YEARS before the creation of American information technology giant, Cisco, Sonda was founded in Santiago de Chile. This company sought to enhance the efficiency of IT in Latin American companies. Sonda, ranked 376 with $1.4 billion annual sales, climbed 24 places in this year's ranking. This makes it the second company that escalated the most positions on the list, after Claro's subsidiary in Peru.

Genomma Lab Internacional doubled its sales between 2009 and 2012, making its way onto the ranking for the first time this year, where it occupies the position 500. This Mexican cosmetic and pharmaceutical company, who celebrated 15 years of existence some months ago, will probably maintain a double-digit growth rate in the following years, as it will deepen its international expansion strategy that has already taken the company to 14 countries - where Brazil, Colombia, Argentina and the U.S. stand out for its sales generation. The company's management team estimates a 23 to 26 percent growth in sales in 2014 alone.

What do a young pharmaceutical company and a mature IT company, located on opposite ends of the Latin American geography, have in common? There are three elements that they share, and that make up a virtuous spiral: from their onset, they have placed innovation at the center of their operations and growth strategies; emphasis on innovation has fostered a model which allows them to constantly offer value to their clientele; value helps to improve the lives of Latin Americans.

Cases like these are becoming more frequent in Latin American countries, but their size is still modest compared to the largest companies in the region. The relative weakness of technology-based companies is a partial, but important explanation to underdevelopment. According to the World Economic Forum, Latin American economies are characterized by a fairly efficient use of their natural resources. That is a stage previous to advanced economies, which have innovation as the main driver for economic growth. There are no Latin nations in this advanced stage.

If Latin America is to step into the age of knowledge and gain the status of developed nations for its countries - a dream that only Chile is about to achieve - it will need to have companies that intensively deploy highly qualified human resources, in sectors of high technological complexity. These are the companies that are called upon to change the history of the Latin 500 in the following years. LT

Álvaro Moreno reported from Miami.

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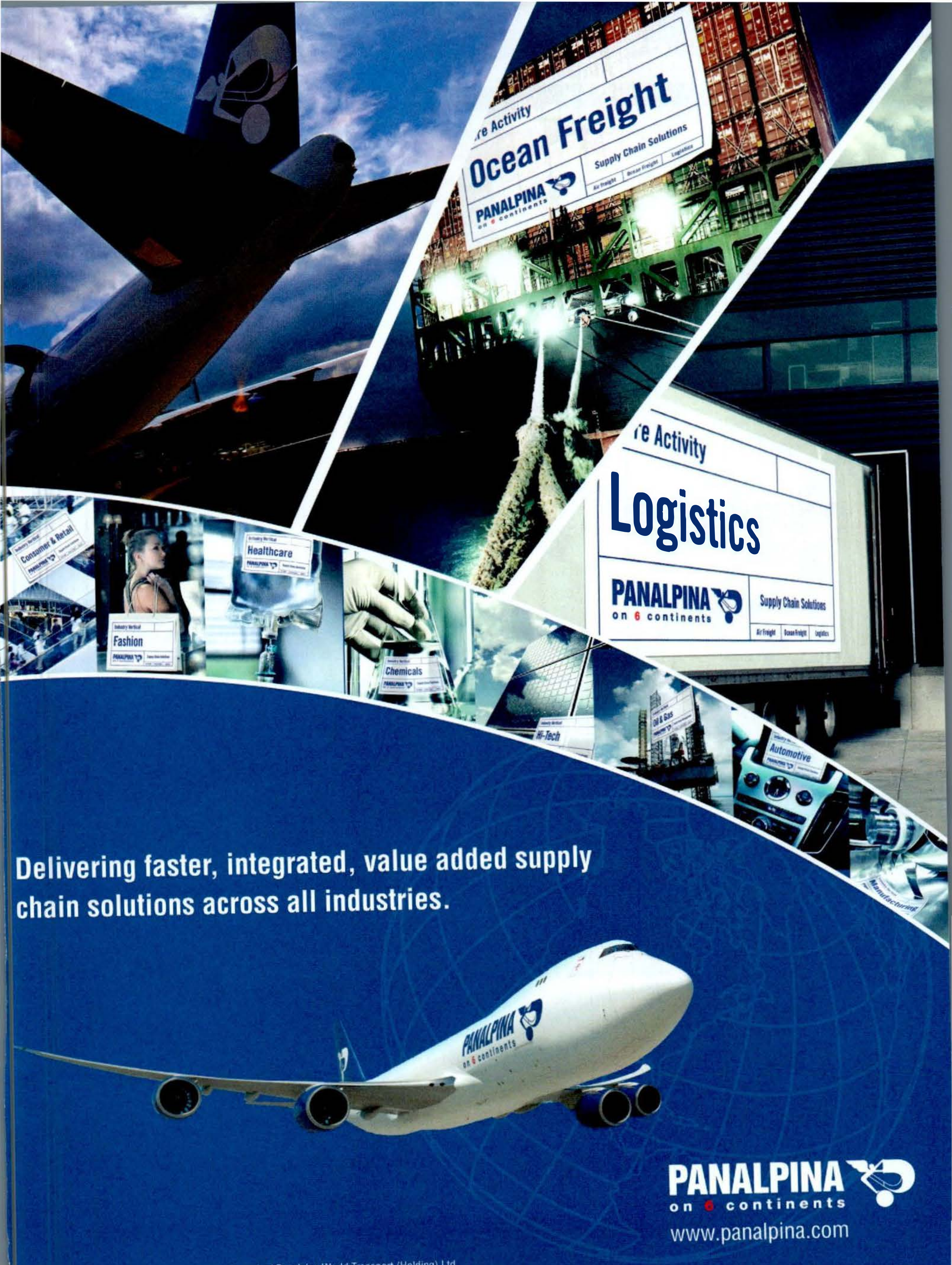
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Details from 2012 in millions of dollars

REVENUE WINNERS

Rank	Latin 500	Company, Country	% Chg.	Revenues
1	242	Drogarias DPSP, Brazil	277.4 %	$2,340.8
2	487	La Polar, Chile	150.7 %	$798.0
3	45	Oi, Brazil	149.9 %	$12,316.7
4	391	BR Pharma, Brazil	146.4 %	$1,314.3
5	248	GEUSA, Mexico	136.9 %	$2,290.2
6	252	Colombia Telecom, Col	131.8 %	$2,257.3
7	229	Org. Cultiba, Mexico	130.4 %	$2,467.0
8	468	Evora, Brazil	113.6 %	$891.3
9	495	Elec. Pehuence, Chile	109.5 %	$783.5
10	325	Min. Esperanza, Chile	81.9 %	$1,709.0

PROFIT WINNERS

Rank	Latin 500	Company, Country	% Chg.	Profit
1	365	Galvão Eng., Brazil	5,026.7 %	$64.9
2	487	La Polar, Chile	2,103.2 %	$391.8
3	191	Ind. Bachoco , Mexico	1,396.4 %	$168.5
4	438	Elementia, Mexico	1,335.5 %	$25.1
5	195	Makro Atacadista, Brazil	1,127.2 %	$24.4
6	460	Bio Pappel, Mexico	1,056.7 %	$50.2
7	10	JBS, Brazil	971.7 %	$351.8
8	379	Colbun, Chile	838.2 %	$48.8
9	125	CGE, Chile	773.4 %	$182.9
10	242	Drogarias DPSP, Brazil	735.7 %	$73.7

REVENUE LOSERS

Rank	Latin 500	Company, Country	% Chg.	Revenues
1	266	PDG Realty, Brazil	-41.8 %	$2,132.9
2	249	Collahuasi SCM, Chile	-40.7 %	$2,277.3
3	346	Anglo Am. Norte, Chile	-38.1 %	$1,555.8
4	172	CSAV, Chile	-33.4 %	$3,431.8
5	497	Shougang Hierro, Peru	-32.9 %	$764.3
6	429	Cooxupe, Brazil	-32.8 %	$1,090.0
7	434	Goodyear, Brazil	-25.8 %	$1,063.4
8	360	Minera Spence, Chile	-24.2 %	$1,482.2
9	451	Petrominerales Colombia	-23.2 %	$966.0
10	322	Randon, Brazil	-22.7 %	$1,713.7

PROFIT LOSERS

Rank	Latin 500	Company, Country	% Chg.	Profit
1	9	Odebrecht, Brazil	-2,064.6 %	-$775.3
2	211	Eletronorte, Brazil	-1,262.3 %	-$361.5
3	465	Inepar, Brazil	-1,066.3 %	-$37.3
4	354	Mastellone Hnos., Arg	-705.8 %	-$22.4
5	221	Suzano Papel, Brazil	-659.3 %	-$89.1
6	388	Alunorte, Brazil	-593.2 %	-$239.0
7	398	Skanska, Sweden	-591.9 %	-$83.5
8	143	Furnas, Brazil	-566.9 %	-$646.8
9	264	Minerva, Brazil	-492.8 %	-$95.0
10	246	Bunge Fertilizantes, Brazil	-472.3 %	-$410.9

Source: LBC 500, Economatica

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
1	1	Petrobras, Brazil	Energy	$137,694.9	5.8%	$10,365.8	-41.6%
2	3	Pemex, Mexico	Energy	$127,019.7	13.7%	$218.5	103.3%
3	2	PDVSA, Venezuela	Energy	$124,459.0	-0.2%	$4,215.0	-6.3%
4	5	America Movil, Mexico	Tech	$59,778.0	14.0%	$7,052.5	18.9%
5	4	Vale, Brazil	Mining	$45,760.5	-16.8%	$4,763.3	-76.4%
6	7	Telefonica, Spain	Tech	$40,255.9	7.5%	$7,933.8	0.2%
7	6	BR Distribuidora, Brazil	Energy	$39,210.7	-1.1%	$927.0	37.2%
8	9	Ecopetrol, Colombia	Energy	$37,735.2	13.7%	$8,451.9	6.3%
9	8	Odebrecht, Brazil	Holding	$37,404.7	12.2%	-$775.3	-2064.6%
10	10	JBS, Brazil	Food	$37,042.7	12.4%	$351.8	971.7%
11	11	Walmart de Mexico	Retail	$32,242.6	18.1%	$1,795.1	12.5%
12	12	Grupo Ultra, Brazil	Energy	$26,385.8	1.7%	$494.7	9.3%
13	--	Techint, Argentina	Holding	$25,477.0	5.7%	--	--
14	26	Casino, France	Retail	$25,391.5	65.9%	--	--
15	13	CBD, Brazil	Retail	$24,920.2	0.3%	$514.4	34.3%
16	18	Volkswagen, Germany	Auto	$24,152.2	25.2%	--	--
17	16	CFE, Mexico	Energy	$23,987.8	14.6%	-$1,482.0	65.8%
18	14	Pet. Ipiranga, Brazil	Energy	$22,917.9	1.8%	$612.3	10.7%
19	15	Copec, Chile	Energy	$22,761.2	7.7%	$409.6	-56.1%
20	21	Eletrobras, Brazil	Energy	$19,348.6	9.8%	-$3,366.2	-269.2%
21	31	Cencosud, Chile	Retail	$19,116.3	31.7%	$564.1	2.9%
22	17	Carrefour, France	Retail	$18,695.5	6.6%	$802.0	16.5%
23	19	Gerdau, Brazil	Steel	$18,586.6	-1.5%	$697.6	-34.8%
24	30	Femsa, Mexico	Beverage	$18,379.8	26.3%	$1,597.0	47.2%
25	20	Braskem, Brazil	Chemical	$17,378.7	-1.7%	-$357.8	-27.8%
26	23	General Motors, USA[1]	Auto	$16,950.0	0.4%	--	--
27	25	Telefonica/Vivo, Brazil	Tech	$16,604.6	6.9%	$2,179.4	-6.1%
28	44	Nestle, Switzerland	Food	$16,541.3	11.5%	--	--
29	24	Carrefour, Brazil	Retail	$16,540.3	3.2%	--	--
30	22	Codelco, Chile	Mining	$15,860.4	-9.4%	$3,875.3	88.5%
31	32	AmBev, Brazil	Beverage	$15,772.5	9.1%	$5,142.2	11.6%
32	28	EP Petroecuador, Ec.	Energy	$15,616.5	5.6%	$6,298.2	0.6%
33	37	Alfa, Mexico	Holding	$15,438.1	17.8%	$693.7	85.9%
34	35	Cemex, Mexico	Cement	$15,196.6	12.2%	-$916.4	33.2%
35	29	Fiat, Italy	Auto	$14,590.8	6.8%	--	--
36	33	AB InBev, Belgium	Beverage	$14,478.0	1.8%	--	--
37	38	Endesa, Spain	Energy	$14,228.1	9.6%	$1,814.9	-1.8%
38	34	BR Foods, Brazil	Food	$13,955.2	1.8%	$398.0	-45.4%
39	36	YPF, Argentina	Energy	$13,639.4	3.9%	$792.3	-35.4%
40	42	Cosan, Brazil	Food	$13,383.4	9.6%	$371.0	-76.3%
41	55	Grupo Bimbo, Mexico	Food	$13,353.5	39.3%	$156.5	-59.1%
42	50	Telcel, Mexico	Tech	$13,283.3	15.8%	--	--
43	43	Enersis, Chile	Energy	$13,080.5	9.1%	$788.5	9.5%
44	40	Walmart, Brazil	Retail	$12,690.4	1.4%	--	--
45	112	Oi, Brazil[2]	Tech	$12,316.7	149.9%	$873.5	62.9%
46	39	Votorantim, Brazil	Holding	$12,132.1	-3.8%	$42.6	-93.8%
47	52	Cargill Agrícola, Brazil	Agri.	$11,835.8	17.6%	$199.3	66.9%
48	46	Fiat, Brazil	Auto	$11,720.8	2.5%	$590.1	-24.4%
49	51	ENAP, Chile	Energy	$11,612.0	7.2%	-$319.2	-376.7%
50	45	Marfrig, Brazil	Food	$11,610.7	-0.5%	-$109.6	72.5%

[1] Revenues don't include Mexico. [2] TNL, Coari and TMAR's shareholders were incorporated by Oi.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
51	41	AES, USA	Energy	$11,550.0	-6.2%	--	--
52	57	Falabella, Chile	Retail	$11,474.0	23.8%	$775.3	-4.4%
53	61	Coca-Cola Femsa, Mexico	Beverage	$11,394.5	27.4%	$1,028.3	35.1%
54	47	Viavarejo, Brazil	Retail	$11,180.0	-0.2%	$156.9	225.4%
55	53	Tenaris, Argentina	Steel	$10,834.0	8.6%	$1,699.1	27.6%
56	74	Telmex Intern., Mexico	Tech	$10,634.9	50.7%	$139.1	-48.1%
57	62	Bodega Aurrera, Mexico	Retail	$10,491.6	18.6%	--	--
58	56	Grupo Mexico, Mexico	Mining	$10,200.4	9.7%	$2,433.4	15.9%
59	49	Ford, USA[1]	Auto	$10,080.0	-8.2%	$213.0	-75.3%
60	95	LAN, Chile	Transport	$9,722.2	74.1%	$11.0	-96.6%
61	54	General Motors, Brazil	Auto	$9,407.0	-2.4%	--	--
62	84	Embratel, Brazil	Tech	$9,190.7	40.9%	$389.6	86.7%
63	59	TIM , Brazil	Tech	$9,182.3	0.8%	$709.0	3.8%
64	66	Cemig, Brazil	Energy	$9,033.7	7.2%	$2,090.4	62.3%
65	65	Caterpillar, USA	Manuf.	$8,936.0	3.0%	--	--
66	69	Minera Escondida, Chile	Mining	$8,824.1	18.9%	$3,168.0	14.2%
67	64	TIM Celular, Brazil	Tech	$8,818.0	1.6%	$819.9	12.7%
68	58	Ternium, Argentina	Steel	$8,608.1	-5.6%	$187.2	-71.2%
69	70	GN Fenosa, Spain	Energy	$8,380.9	12.8%	$1,106.6	10.9%
70	63	CSN, Brazil	Steel	$8,268.3	-6.1%	-$205.6	-110.4%
71	67	Telmex, Mexico	Tech	$8,181.4	1.8%	$908.3	-13.1%
72	75	Org. Soriana , Mexico	Retail	$8,068.2	14.5%	$274.4	25.1%
73	72	SABMiller, UK[3]	Beverage	$7,821.0	9.3%	$1,920.0	18.7%
74	73	PepsiCo LAF, USA	Food	$7,780.0	8.7%	$1,059.0	-1.8%
75	--	ArcelorMittal, Brazil	Steel	$7,684.9	-16.6%	-$470.1	-428.7%
76	83	Grupo Modelo, Mexico	Beverage	$7,658.4	17.1%	$952.0	11.2%
77	86	Schlumberger, USA	Energy	$7,554.0	16.8%	$1,387.0	29.1%
78	77	Ind. Peñoles, Mexico	Mining	$7,540.7	8.6%	$760.3	-16.9%
79	87	Walmart Superc.,Mx	Retail	$7,533.9	17.0%	--	--
80	68	Anglo American, USA/UK	Mining	$7,527.0	-5.2%	$2,367.0	-27.1%
81	85	Alpek, Mexico	Energy	$7,416.7	14.1%	$282.5	1.0%
82	80	CPFL, Brazil	Energy	$7,367.3	8.3%	$599.9	-26.5%
83	92	Copersucar, Brazil[3]	Agri.	$7,334.2	22.5%	$42.9	-21.5%
84	91	Sam's Club, Mexico	Retail	$7,143.2	19.2%	--	--
85	93	Grupo EPM, Colombia	Holding	$7,104.9	19.0%	$898.6	15.0%
86	71	Dow, USA	Chemical	$7,060.0	-2.6%	--	--
87	--	Andrade Gutierrez, Brazil	Holding	$6,841.4	-2.6%	$197.0	-75.3%
88	76	ECT, Brazil	Services	$6,836.5	-3.0%	$510.9	8.6%
89	90	Antofagasta PLC, Chile	Mining	$6,740.1	10.9%	$1,032.0	-16.5%
90	78	TAM, Brazil	Transport	$6,702.0	-3.3%	-$609.3	-241.1%
91	79	Southern Copper, USA	Mining	$6,669.3	-2.2%	$1,934.6	-17.2%
92	100	Oxxo, Mexico	Retail	$6,666.2	25.5%	$522.8	32.0%
93	89	Met-Mex Peñoles, Mx	Mining	$6,575.3	6.6%	$338.4	-20.0%
94	101	Grupo Carso, Mexico	Holding	$6,492.4	22.4%	$589.3	79.5%
95	82	Claro Telecom, Brazil	Tech	$6,320.6	-8.6%	-$434.0	-230.8%
96	88	Usiminas, Brazil	Steel	$6,219.1	-2.0%	-$313.0	-351.9%
97	108	Globo Com., Brazil	Media	$6,164.0	21.5%	$1,442.7	24.8%
98	81	NII Holdings, USA	Tech	$6,086.5	-9.6%	-$765.2	-439.8%
99	99	Iberdrola, Spain	Energy	$6,077.6	12.5%	--	--
100	111	Walmart, Chile	Retail	$6,044.3	21.0%	$241.6	10.6%

[1] Revenues don't include Mexico.
[3] For Ihe fiscal year ending on March 31, 2013.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
101	103	Embraer, Brazil	Transport	$5,971.0	13.6%	$341.5	309.8%
102	123	Org. Terpel, Colombia	Energy	$5,954.7	33.2%	$72.8	-17.6%
103	94	Nestle, Brazil	Food	$5,813.0	0.9%	--	--
104	97	American Airlines, USA	Transport	$5,813.0	6.5%	--	--
105	105	Neoenergia, Brazil	Energy	$5,779.6	11.0%	$624.5	-24.5%
106	98	Lojas Americanas, Brazil	Retail	$5,546.4	2.0%	$200.7	10.6%
107	131	Louis Dreyfus, Brazil	Agri.	$5,523.4	32.0%	-$46.7	-180.9%
108	144	Elektra, Mexico	Retail	$5,388.3	44.5%	-$1,482.7	-168.9%
109	120	Grupo Televisa, Mexico	Media	$5,344.1	19.1%	$675.7	36.8%
110	96	Nokia, Finland	Tech	$5,327.4	-3.7%	--	--
111	128	Coppel, Mexico	Retail	$5,294.2	25.6%	$752.1	40.7%
112	102	Sabesp, Brazil	Water	$5,262.8	-0.7%	$935.6	43.5%
113	110	Petroperu, Peru	Energy	$5,248.0	4.0%	$25.0	-83.7%
114	129	Cencosud, Argentina	Retail	$5,186.2	23.2%	--	--
115	125	Exito, Colombia	Retail	$5,173.4	17.5%	$268.3	33.8%
116	113	Amil, Brazil	Health	$5,120.8	6.6%	-$78.9	-184.5%
117	130	Liverpool, Mexico	Retail	$5,109.3	21.5%	$555.1	18.3%
118	107	Avon, USA	Manuf.	$4,993.7	-3.3%	$443.9	-30.0%
119	134	Gruma, Mexico	Food	$4,960.5	20.0%	$86.0	-77.2%
120	109	Whirlpool, USA	Manuf.	$4,950.0	-2.2%	$476.0	-25.9%
121	135	Grupo Chedraui, Mexico	Retail	$4,931.8	19.7%	$115.8	6.5%
122	116	Colgate, USA	Manuf.	$4,907.0	2.7%	$1,430.0	1.1%
123	159	Mexichem, Mexico	Chemical	$4,889.6	44.2%	$365.2	87.9%
124	104	Eletropaulo, Brazil	Energy	$4,873.6	-7.1%	$52.8	-93.7%
125	121	CGE, Chile	Energy	$4,841.0	8.2%	$182.9	773.4%
126	124	Ref. La Pampilla, Peru	Energy	$4,840.7	8.3%	$18.8	-82.5%
127	117	Coca-Cola, USA	Beverage	$4,831.0	3.0%	$2,879.0	2.3%
128	119	Endesa, Chile	Energy	$4,809.5	5.0%	$489.6	-42.9%
129	--	Renault, Brazil	Auto	$4,802.3	13.3%	$215.8	87.7%
130	--	InRetail Peru	Retail	$4,783.9	12.8%	$218.3	76.7%
131	114	CMPC, Chile	Pulp	$4,759.3	-0.8%	$201.8	-59.0%
132	140	Carrefour, Argentina	Retail	$4,748.4	21.9%	--	--
133	118	Votorantim Cimentos	Cement	$4,639.9	0.1%	$802.8	76.2%
134	127	Telecom, Argentina	Tech	$4,506.8	5.1%	$545.2	-2.8%
135	156	Movistar, Venezuela	Tech	$4,402.8	26.6%	--	--
136	--	Alesat Combustíveis, Brazil	Energy	$4,380.9	5.7%	$14.6	181.3%
137	151	Claro, Colombia[4]	Tech	$4,373.4	20.4%	$1,345.7	42.4%
138	177	Cencosud, Brazil	Retail	$4,372.8	46.5%	--	--
139	164	Arca Continental, Mx	Beverage	$4,339.8	35.1%	$389.1	20.3%
140	154	Walmart Centroamerica	Retail	$4,339.3	21.5%	$112.6	-8.5%
141	150	Avianca-Taca, Colombia	Transport	$4,317.6	18.7%	$198.5	90.7%
142	126	Celulosa Arauco, Chile	Pulp	$4,280.3	-2.2%	$140.5	-77.4%
143	136	Furnas, Brazil	Energy	$4,265.0	3.5%	-$646.8	-566.9%
144	133	Copel, Brazil	Energy	$4,175.3	0.7%	$342.9	-44.4%
145	138	Whirlpool, Brazil	Manuf.	$4,138.9	4.0%	$296.7	51.[illegible]%
146	137	GOL, Brazil	Transport	$3,965.5	-1.3%	-$740.4	-84.8%
147	165	Nemak, Mexico	Manuf.	$3,963.1	23.7%	$61.4	-19.6%
148	115	PepsiCo, Mexico	Beverage	$3,955.0	-17.3%	--	--
149	153	NET, Brazil	Tech	$3,885.1	8.8%	$192.7	-3.2%
150	160	Pacific Rubiales, Colombia	Energy	$3,884.8	14.9%	$527.7	-4.8%

[4] Former Comcel.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
151	155	Millicom, Luxembourg	Tech	$3,840.0	8.2%	$1,130.0	-2.2%
152	149	Itaipu Binacional, Br/Py	Energy	$3,797.9	4.0%	$520.6	-33.6%
153	148	Arcos Dorados, Argentina	Food	$3,797.4	3.8%	$114.3	-1.0%
154	--	MAN Latin America, Brazil	Auto	$3,785.5	-18.3%	$302.1	-41.6%
155	158	Magazine Luiza, Brazil	Retail	$3,751.0	9.6%	-$3.3	-153.1%
156	142	CANTV, Venezuela	Tech	$3,727.0	-1.4%	--	--
157	145	Light, Brazil	Energy	$3,725.5	0.6%	$207.5	25.3%
158	179	Halliburton, USA	Energy	$3,694.0	23.9%	$599.0	29.1%
159	176	ICA, Mexico	Constr.	$3,666.8	19.6%	$87.1	-17.9%
160	174	ANCAP, Uuguay	Energy	$3,657.8	19.2%	-$14.8	84.3%
161	--	Tereos Int. Brazil	Food	$3,611.5	2.8%	$13.2	-88.7%
162	161	Grupo Casa Saba , Mexico	Retail	$3,601.0	7.9%	-$11.2	-278.7%
163	146	Los Pelambres, Chile	Mining	$3,553.7	-3.3%	$1,615.9	-10.7%
164	139	LF Telecom, Brazil	Tech	$3,545.4	-9.3%	-$56.3	46.0%
165	169	Nestle, Mexico	Food	$3,528.3	12.0%	--	--
166	170	Comercial Mexicana,Mexico	Retail	$3,522.1	12.2%	$513.4	479.4%
167	184	Sigma, Mexico	Food	$3,507.4	19.1%	$283.2	375.2%
168	173	Molinos Rio, Argentina	Food	$3,493.9	12.5%	$6.1	-90.5%
169	--	Quiñenco, Chile	Holding	$3,455.7	70.7%	$291.8	73.0%
170	--	Grupo OAS, Brazil	Holding	$3,440.4	39.2%	$227.3	701.1%
171	168	BASF, Brazil	Chemical	$3,439.8	8.5%	$123.0	-34.8%
172	106	CSAV, Chile	Transport	$3,431.8	-33.4%	-$313.6	74.9%
173	189	ExxonMobil, Colombia	Energy	$3,403.8	16.5%	$25.5	-48.8%
174	207	Electrolux, Sweden	Manuf.	$3,383.6	30.9%	$244.1	105.1%
175	166	Ericsson, Sweden	Tech	$3,377.7	5.9%	--	--
176	199	Sodimac, Chile	Retail	$3,316.6	24.1%	$174.7	6.1%
177	182	Coamo, Brazil	Agri.	$3,292.0	11.4%	$221.1	12.2%
178	181	CHESF, Brazil	Energy	$3,259.3	9.5%	-$2,613.8	-415.5%
179	172	UAL, USA	Transport	$3,254.0	4.7%	--	--
180	192	Energias do Brasil	Energy	$3,213.7	11.6%	$167.2	-36.1%
181	202	Movistar, Argentina	Tech	$3,206.5	21.5%	--	--
182	143	Samarco Min., Brazil	Mining	$3,205.1	-14.8%	$1,295.0	-16.6%
183	191	Telefonica del Peru	Tech	$3,192.3	10.4%	$314.2	58.9%
184	178	Paul F Luz, Brazil	Energy	$3,189.6	6.9%	$225.2	-31.1%
185	216	Anglo American Sur, Chile	Mining	$3,186.3	37.3%	$928.9	17.2%
186	--	Recope, Costa Rica	Energy	$3,118.0	6.2%	$1.5	-93.9%
187	180	Natura, Brazil	Manuf.	$3,105.3	4.2%	$421.4	-4.9%
188	203	Bavaria, Colombia	Beverage	$3,076.8	17.6%	$693.2	32.4%
189	208	Grupo Aeromexico, Mexico	Transport	$3,051.8	18.9%	$102.0	-31.6%
190	200	Grupo Sanborns, Mexico	Retail	$3,039.6	16.4%	$254.4	20.2%
191	256	Ind. Bachoco , Mexico	Food	$3,036.3	52.7%	$168.5	1396.4%
192	187	AHMSA, Mexico	Steel	$3,025.1	3.3%	-$31.1	-122.2%
193	171	Fibria, Brazil	Pulp	$3,021.5	-3.2%	-$344.9	25.9%
194	196	Weg, Brazil	Manuf.	$3,021.2	9.2%	$321.0	2.6%
195	186	Makro Atacadista, Brazil	Retail	$3,016.7	2.9%	$24.4	1127.2%
196	183	Souza Cruz, Brazil	Manuf.	$3,000.3	1.4%	$803.2	-6.0%
197	204	G. Nutresa, Colombia	Food	$2,995.0	15.0%	$195.0	49.5%
198	218	Entel, Chile	Tech	$2,988.1	26.6%	$349.6	0.8%
199	167	Southern Peru	Mining	$2,951.2	-7.2%	$993.2	-7.9%
200	--	Andre Maggi, Brazil	Food	$2,927.7	0.0%	$94.5	49.7%

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
201	190	CNH, Netherlands	Auto	$2,912.0	0.2%	--	--
202	157	Nextel, Brazil	Tech	$2,902.4	-16.0%	$674.6	-35.6%
203	195	Transpetro, Brazil	Energy	$2,890.0	4.2%	$347.8	3.6%
204	163	Cyrela Realty, Brazil	Constr.	$2,856.8	-12.5%	$323.1	21.6%
205	201	Coelba, Brazil	Energy	$2,844.9	7.4%	$394.2	-1.5%
206	188	Arcor, Argentina	Food	$2,831.9	-3.1%	$54.2	-50.8%
207	197	CCR Rodovias, Brazil	Transport	$2,822.5	3.1%	$576.1	20.2%
208	321	Iochpe-Maxion, Brazil	Manuf.	$2,788.6	80.1%	$32.7	-72.5%
209	243	Sidgo Koppers, Chile	Constr.	$2,786.4	30.9%	$141.5	-50.5%
210	233	Falabella Peru	Retail	$2,750.7	24.7%	$152.8	14.4%
211	185	Eletronorte, Brazil	Energy	$2,729.3	-7.0%	-$361.5	-1262.3%
212	252	Drummond, Colombia	Mining	$2,690.5	32.7%	$350.4	86.5%
213	224	Bayer, Brazil	Chemical	$2,689.5	17.5%	$267.2	411.2%
214	--	CNH, Brazil	Auto	$2,681.0	0.0%	$85.7	0.3%
215	229	Cielo, Brazil	Services	$2,655.9	18.4%	$1,132.7	17.4%
216	337	RaiaDrogasil, Brazil[5]	Retail	$2,633.1	81.0%	$51.3	40.1%
217	212	F. Heringer, Brazil	Chemical	$2,598.9	3.6%	-$1.2	-103.5%
218	162	Petrobras En. , Argentina	Energy	$2,591.9	-21.6%	$124.9	-23.4%
219	234	Comgas, Brazil	Energy	$2,583.6	18.1%	$179.4	42.5%
220	205	Suzano, Brazil	Pulp	$2,542.0	-1.7%	-$21.1	-330.1%
221	206	Suzano Papel, Brazil	Paper	$2,540.9	-1.7%	-$89.1	-659.3%
222	198	Gerdau Açominas, Brazil	Steel	$2,524.1	-6.1%	$55.0	227.0%
223	209	Xignux, Mexico	Holding	$2,523.1	-1.5%	$54.2	69.1%
224	175	Pan American, Argentina	Energy	$2,503.5	-18.4%	$281.7	-61.4%
225	193	Siderar, Argentina	Steel	$2,503.4	-11.0%	$109.6	-64.7%
226	220	Industrias CH, Mexico	Steel	$2,484.7	6.9%	$138.7	-36.4%
227	267	Argos, Colombia	Cement	$2,472.6	30.9%	$218.8	14.9%
228	194	CAP, Chile	Steel	$2,470.0	-11.4%	$230.8	-47.7%
229	--	Org. Cultiba, Mexico	Beverage	$2,467.0	130.4%	$35.2	204.4%
230	--	Syngenta, Brazil	Agri.	$2,466.0	14.6%	--	--
231	268	Emb. Andina, Chile	Beverage	$2,449.4	30.0%	$183.1	-1.6%
232	237	Electrolux , Brazil	Manuf.	$2,436.7	13.3%	--	--
233	238	Agrosuper, Chile	Agri.	$2,431.8	13.3%	-$336.4	-258.4%
234	239	SQM, Chile	Chemical	$2,429.2	13.2%	$649.2	19.0%
235	228	Grupo Isa, Colombia	Energy	$2,429.0	8.0%	$154.1	-11.1%
236	215	Aut. Canal de Panama	Services	$2,427.8	2.5%	$1,260.1	1.3%
237	251	Ripley, Chile	Retail	$2,411.2	18.4%	$77.4	-27.1%
238	223	Tractebel, Brazil	Energy	$2,404.0	4.2%	$733.8	-4.9%
239	236	Baker Hughes, USA	Energy	$2,399.0	9.5%	$197.0	-11.7%
240	266	Chevron, Colombia	Energy	$2,365.2	24.5%	$125.7	1.4%
241	226	B2W Varejo, Brazil	Retail	$2,355.0	4.4%	-$83.5	-75.7%
242	--	Drogarias DPSP, Brazil[6]	Retail	$2,340.8	277.4%	$73.7	735.7%
243	217	Const. Cam. Correa, Brazil	Constr.	$2,340.5	-0.8%	$97.8	650.6%
244	242	AES Gener, Chile	Energy	$2,327.7	9.3%	$202.9	-37.8%
245	--	Grupo Ice, Costa Rica	Energy	$2,326.9	5.4%	$34.0	-17.3%
246	219	Bunge Fertilizantes, Brazil	Agri.	$2,326.3	0.0%	-$410.9	-472.3%
247	225	Grupo Clarin, Argentina	Media	$2,298.3	1.8%	$97.9	-19.0%
248	409	GEUSA, Mexico	Beverage	$2,290.2	136.9%	$31.1	349.0%
249	141	Collahuasi SCM, Chile	Mining	$2,277.3	-40.7%	$494.9	0.0%
250	246	Grupo Simec, Mexico	Steel	$2,277.1	8.5%	$159.7	-22.2%

[5] Merger between Drogasil and DrogaRaia.
[6] New company created through the merger of Drogaria São Paulo and Drogaria Pacheco.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
251	263	Kimberly Clark, Mexico	Paper	$2,258.9	17.9%	$319.7	22.5%
252	248	Colombia Telecom, Col[7]	Tech	$2,257.3	131.8%	-$158.4	0.0%
253	--	Aurora Alimentos, Brazil	Food	$2,254.0	20.2%	$88.5	19.5%
254	272	Copa, Panama	Transport	$2,249.4	22.9%	$326.5	5.2%
255	270	CCU, Chile	Beverage	$2,247.6	20.9%	$239.1	1.6%
256	264	Grupo KUO, Mexico	Manuf.	$2,247.6	17.3%	$30.0	222.1%
257	230	Celesc, Brazil	Energy	$2,224.2	-0.5%	-$126.4	-173.2%
258	283	Salfacorp, Chile	Constr.	$2,220.3	28.4%	$48.4	58.5%
259	250	Cencosud, Colombia	Retail	$2,203.7	8.1%	-$18.3	-178.6%
260	311	Homex , Mexico	Constr.	$2,200.1	40.4%	$121.8	8.2%
261	275	Sotreq, Brazil	Auto	$2,175.1	2.4%	$82.9	-21.1%
262	276	Gasco, Chile	Energy	$2,160.3	21.0%	$116.0	81.5%
263	--	Fresnillo PLC, Mexico	Mining	$2,157.4	-1.6%	$845.4	-18.6%
264	245	Minerva, Brazil	Food	$2,143.3	1.1%	-$95.0	-492.8%
265	152	Const. AG, Brazil	Constr.	$2,140.9	-7.4%	$59.9	-71.7%
266	147	PDG Realty, Brazil	Constr.	$2,132.9	-41.8%	-$1,065.4	-383.7%
267	210	Cerro Verde, Peru	Mining	$2,127.0	-15.6%	$772.1	-28.4%
268	244	Siemens, Brazil	Manuf.	$2,122.1	-0.1%	-$24.9	-122.6%
269	227	Nextel, Mexico	Tech	$2,109.6	-6.2%	$561.1	-24.9%
270	253	Movistar, Mexico	Tech	$2,105.1	4.5%	--	--
271	240	MRV, Brazil	Constr.	$2,087.5	-2.5%	$258.2	-36.3%
272	--	Casas Pernambucanas, Br	Retail	$2,085.2	1.9%	$83.5	1.7%
273	213	Goodyear, USA	Manuf.	$2,085.0	-15.7%	$223.0	-3.5%
274	222	Praxair, USA	Chemical	$2,082.0	-9.8%	$429.0	-19.1%
275	277	DuPont Brasil	Chemical	$2,068.4	16.0%	$225.9	14.9%
276	306	Grana y Montero, Peru	Constr.	$2,050.5	30.0%	$113.8	5.9%
277	221	Avon, Brazil	Chemical	$2,041.7	-11.9%	--	--
278	249	Klabin, Brazil	Pulp	$2,037.5	-1.7%	$368.0	277.8%
279	258	Chilectra, Chile	Energy	$2,036.2	2.6%	$367.2	72.9%
280	292	Corp. Fragua, Mexico	Retail	$2,034.8	22.1%	$70.1	15.2%
281	273	Movistar, Chile	Tech	$2,029.2	12.1%	$210.8	-32.4%
282	269	Infraero, Brazil	Transport	$2,014.2	7.0%	$52.7	-33.0%
283	314	Condumex, Mexico	Manuf.	$1,993.9	1.1%	$131.5	47.1%
284	235	Paranapanema, Brazil	Mining	$1,970.0	-9.8%	-$101.1	-297.4%
285	368	Julio Simoes, Brazil	Transport	$1,968.0	53.3%	$38.0	25.5%
286	261	Olimpica, Colombia	Retail	$1,966.5	19.3%	$56.6	23.4%
287	279	Adidas, Germany	Manuf.	$1,953.4	10.3%	--	--
288	247	Carb. del Cerrejón, Col	Mining	$1,941.0	-6.9%	$373.9	-27.9%
289	310	Gafisa, Brazil	Constr.	$1,934.6	23.4%	-$60.9	87.9%
290	278	Hypermarcas, Brazil	Manuf.	$1,895.6	7.0%	$99.8	442.5%
291	282	CBMM, Brazil	Mining	$1,890.3	7.1%	$711.6	8.3%
292	284	Lojas Renner, Brazil	Retail	$1,890.1	9.5%	$173.9	-3.2%
293	297	Mega, Mexico	Retail	$1,888.3	16.3%	--	--
294	254	Ultragaz, Brazil	Energy	$1,882.6	-6.2%	$54.7	-36.9%
295	329	Banmedica, Chile	Health	$1,878.7	24.4%	$96.4	16.0%
296	274	Marcopolo, Brazil	Manuf.	$1,867.9	4.0%	$146.8	-19.7%
297	--	PepsiCo, Brazil	Beverage	$1,866.0	1.5%	--	--
298	280	Profarma, Brazil	Retail	$1,860.9	5.2%	$19.9	41.0%
299	302	Movistar, Peru	Tech	$1,850.5	16.3%	$283.9	17.9%
300	335	General Motors, Venezuela	Auto	$1,846.0	25.4%	--	--

[7] Merger between Colombia Comunicaciones and Telefónica Móviles Colombia.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
301	300	Telefonica de Argentina	Tech	$1,833.4	14.5%	--	--
302	291	Carvajal, Colombia	Print	$1,827.9	9.4%	$20.4	17.0%
303	295	Grupo Algar, Brazil	Holding	$1,820.4	11.9%	$74.8	-22.3%
304	345	Ferreyros, Peru	Retail	$1,813.4	27.4%	$85.8	21.7%
305	352	Const. OAS, Brazil	Constr.	$1,810.4	32.2%	$55.5	-30.9%
306	--	Const. Queiroz Galvao, Br	Constr.	$1,809.2	9.4%	$155.9	199.5%
307	293	Patagonia, Argentina	Food	$1,808.9	9.8%	$36.3	-7.6%
308	281	Ampla En., Brazil	Energy	$1,806.2	2.3%	$241.4	115.3%
309	259	ENAMI, Chile	Mining	$1,784.2	-9.3%	$29.0	141.0%
310	313	Vitro, Mexico	Manuf.	$1,782.5	13.9%	$204.5	640.0%
311	326	Codensa, Colombia	Energy	$1,773.5	15.4%	$288.4	22.4%
312	289	Brasil Kirin, Brazil	Beverage	$1,773.0	5.3%	$145.8	450.1%
313	308	Contax, Brazil	Tech	$1,771.0	12.4%	$21.8	95.4%
314	304	Alicorp, Peru	Food	$1,754.4	10.6%	$138.1	14.1%
315	265	Elektro, Brazil	Tech	$1,746.8	-8.1%	$175.0	-33.3%
316	288	ALL, Brazil	Transport	$1,746.3	3.2%	$116.1	-11.1%
317	285	General Motors, Argentina	Auto	$1,741.0	1.0%	--	--
318	296	Guararapes, Brazil	Textile	$1,735.3	6.9%	$178.9	-7.8%
319	317	Celpe, Brazil	Energy	$1,735.2	11.7%	$7.4	-95.1%
320	318	M. Dias Branco, Brazil	Food	$1,734.8	11.8%	$230.3	17.8%
321	286	Copasa, Brazil	Water	$1,722.1	0.2%	$235.7	-4.8%
322	232	Randon, Brazil	Manuf.	$1,713.7	-22.7%	S20.8	-85.5%
323	301	Lojas Riachuelo, Brazil	Retail	$1,711.9	7.0%	$57.5	-20.7%
324	355	Claro, Peru	Tech	$1,711.4	23.2%	$541.2	28.5%
325	428	Min. Esperanza, Chile	Mining	$1,709.0	81.9%	$583.7	187.0%
326	271	General Motors , Colombia	Auto	$1,703.2	-8.3%	$4.4	-82.9%
327	323	UTE, Uuguay	Energy	$1,698.5	11.4%	-$178.1	-225.1%
328	262	Praxair, Brazil	Chemical	$1,668.0	-13.6%	--	--
329	305	Duratex, Brazil	Manuf.	$1,661.1	4.9%	$224.7	12.7%
330	307	CESP, Brazil	Energy	$1,641.3	4.1%	$72.4	25.1%
331	324	Dufry AG, Switzerland	Retail	$1,640.1	22.8%	$206.7	15.4%
332	--	Nueva EPS, Colombia	Health	$1,635.4	8.8%	$10.1	26.7%
333	319	Zaffari, Brazil	Retail	$1,617.3	4.3%	--	--
334	299	Grupo Martins, Brazil	Retail	$1,614.0	0.7%	$24.2	65.7%
335	--	Corp. Favorita, Ecuador	Retail	$1,601.1	10.1%	$113.4	10.1%
336	343	Fasa, Chile	Health	$1,599.0	12.1%	$49.0	191.0%
337	257	Brookfield, Brazil	Constr.	$1,592.1	-19.9%	-$189.9	-209.0%
338	325	InterCement, Brazil	Cement	$1,577.9	2.6%	$119.5	-26.9%
339	349	Sears, Mexico	Retail	$1,572.1	16.9%	--	--
340	332	V&M, Brazil	Steel	$1,568.8	5.1%	$234.9	-26.1%
341	369	El Palacio de Hierro, Mx	Retail	$1,565.9	23.4%	$78.2	5.2%
342	315	Buenaventura, Peru	Mining	$1,562.9	0.4%	$684.4	-20.6%
343	334	Redecard, Brazil	Services	$1,562.5	5.7%	$792.2	5.8%
344	--	Saludcoop, Colombia	Health	$1,561.2	22.0%	-$6.7	--
345	347	Claro, Ecuador	Tech	$1,560.0	6.2%	$560.0	7.7%
346	211	Anglo Am. Norte, Chile	Mining	$1,555.8	-38.1%	$193.5	-58.2%
347	370	Alkosto, Colombia	Retail	$1,555.0	22.8%	$46.3	7.7%
348	342	C.Vale, Brazil	Agri.	$1,551.7	8.0%	$27.3	0.5%
349	316	Localiza, Brazil	Transport	$1,549.7	-0.4%	$117.9	-24.2%
350	384	OHL Mexico	Transport	$1,548.9	28.7%	$397.8	47.1%

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
351	377	Cencosud, Peru	Retail	$1,540.7	25.2%	--	--
352	309	Pampa Energia, Argentina	Energy	$1,536.0	-2.1%	-$131.9	38.8%
353	--	Pague Menos, Brazil	Retail	$1,535.6	3.5%	$52.5	-9.7%
354	344	Mastellone Hnos., Arg	Retail	$1,532.8	7.7%	-$22.4	-705.8%
355	339	Arteris, Brazil*	Transport	$1,526.2	5.6%	$197.5	-8.4%
356	287	Dow Brasil, Brazil	Chemical	$1,503.8	-11.1%	-$190.8	47.1%
357	356	UCP Backus, Peru	Beverage	$1,503.0	12.8%	$347.4	26.1%
358	394	Biomax, Colombia	Energy	$1,490.2	31.9%	$10.4	69.2%
359	350	Minera Valparaiso, Chile	Mining	$1,486.2	6.5%	$131.5	-23.1%
360	260	Minera Spence, Chile	Mining	$1,482.2	-24.2%	$392.9	-43.4%
361	330	Empresas Navieras, Chile	Transport	$1,482.2	-1.7%	$30.2	230.9%
362	351	Alpargatas, Brazil	Textile	$1,471.5	7.2%	$137.0	-16.4%
363	328	Corp. Geo, Mexico	Constr.	$1,471.4	-3.0%	$81.3	-21.1%
364	327	MRS Logistica, Brazil	Transport	$1,463.1	-4.1%	$215.4	-22.5%
365	388	Galvao Eng., Brazil	Constr.	$1,461.8	23.3%	$64.9	5026.7%
366	411	Equatorial, Brazil	Energy	$1,461.8	38.5%	$69.0	-19.1%
367	290	Grupo Abril, Brazil	Media	$1,456.1	-13.3%	$31.4	-68.3%
368	427	Grupo Gigante, Mexico	Retail	$1,454.7	54.1%	$53.2	126.7%
369	353	CTC , Chile	Tech	$1,452.1	7.7%	$123.5	-5.3%
370	374	Electricaribe, Colombia	Energy	$1,450.7	16.9%	$36.4	-9.0%
371	312	CBA, Brazil	Steel	$1,441.4	-7.9%	-$324.6	-152.6%
372	367	Oxiteno, Brazil	Energy	$1,433.2	11.6%	$110.9	34.4%
373	360	Emerson, USA	Tech	$1,430.0	8.4%	--	--
374	365	Energisa, Brazil	Energy	$1,428.5	10.4%	$142.1	25.7%
375	336	Barrick Misquichilca, Peru	Mining	$1,424.8	-2.6%	$602.9	-7.3%
376	397	Sonda, Chile	Tech	$1,423.3	25.2%	$95.3	22.3%
377	348	Coelce, Brazil	Energy	$1,416.1	1.1%	$205.5	-18.2%
378	389	Movistar, Colombia	Tech	$1,411.3	20.4%	--	--
379	357	Colbun, Chile	Energy	$1,408.8	5.7%	$48.8	838.2%
380	362	Lojas Marisa, Brazil	Retail	$1,408.1	7.8%	$112.5	18.9%
381	340	Ford, Mexico	Auto	$1,406.0	-2.1%	--	--
382	382	CGE Dist., Chile	Energy	$1,402.0	15.7%	$20.4	160.1%
383	322	CTEEP, Brazil	Energy	$1,379.5	-10.8%	$412.8	-15.4%
384	391	Ferromex, Mexico	Transport	$1,366.1	17.2%	$218.5	73.7%
385	401	Maseca, Mexico	Food	$1,355.4	22.9%	$103.0	-2.2%
386	333	Liquigas Dist., Brazil	Energy	$1,354.3	-8.5%	$22.0	-61.0%
387	373	Masisa, Chile	Manuf.	$1,349.3	7.8%	$45.2	-34.5%
388	331	Alunorte, Brazil	Aluminum	$1,345.0	-10.8%	-$239.0	-593.2%
389	378	CEG, Brazil	Energy	$1,338.8	9.0%	$142.1	5.9%
390	294	Rossi Res., Brazil	Constr.	$1,328.4	-12.2%	-$100.7	-340.0%
391	--	BR Pharma, Brazil	Pharm.	$1,314.3	146.4%	$1.5	-50.1%
392	--	Drogaria SP, Brazil	Retail	$1,312.9	-1.8%	$46.1	137.3%
393	392	Tupy, Brazil	Manuf.	$1,307.1	12.2%	$32.5	-70.1%
394	415	Sodimac, Colombia	Retail	$1,295.7	25.2%	$62.1	21.3%
395	379	RGE, Brazil	Energy	$1,292.8	6.4%	$156.5	21.9%
396	363	Alcoa Aluminio , Brazil	Aluminum	$1,280.1	1.6%	-$25.5	61.5%
397	303	Minera Candelaria, Chile	Mining	$1,277.3	-19.6%	$348.4	-44.1%
398	438	Skanska, Sweden	Auto	$1,262.3	44.5%	-$83.5	-591.9%
399	354	CPFL Piratininga, Brazil	Energy	$1,254.1	-6.8%	$75.3	-54.2%
400	366	Bandeirante Energia, Brazil	Energy	$1,251.3	-9.2%	$39.6	-66.7%

* Former OHL Brasil.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
401	405	Minera El Abra, Chile	Mining	$1,237.0	14.7%	$386.6	-9.8%
402	--	C.I. Prodeco, Colombia	Mining	$1,234.6	-2.9%	-$25.8	-121.5%
403	470	Sofasa, Colombia	Auto	$1,230.7	67.3%	$66.5	403.7%
404	361	Ericsson Telecom., Brazil	Tech	$1,219.1	-6.9%	-$22.4	-166.0%
405	423	Emgesa, Colombia	Energy	$1,210.4	23.8%	$442.3	28.7%
406	376	Magnesita, Brazil	Mining	$1,205.6	-2.5%	$34.6	-33.7%
407	414	Superm. Peruanos, Peru	Retail	$1,197.9	15.6%	$22.6	62.2%
408	358	Molymet, Chile	Chemical	$1,194.0	-10.2%	$22.0	-78.7%
409	399	Vitro Envases, Mexico	Manuf.	$1,188.0	5.7%	--	--
410	424	Ecorodovias, Brazil	Transport	$1,178.9	21.0%	$206.5	1.2%
411	398	Novartis, Brazil	Chemical	$1,170.4	5.0%	$65.8	-15.8%
412	434	Empresas Carozzi, Chile	Food	$1,169.1	27.1%	$56.4	48.1%
413	413	Lojas Cem, Brazil	Retail	$1,164.5	11.2%	$92.9	-8.9%
414	375	Volcan, Peru	Mining	$1,160.3	-6.5%	$210.9	-43.1%
415	385	Atento, Brazil	Tech	$1,156.9	-3.4%	$60.8	-6.2%
416	425	Eletronuclear, Brazil	Energy	$1,154.9	19.4%	$9.7	-94.1%
417	364	Celpa, Brazil	Energy	$1,150.0	-11.4%	-$341.0	-63.5%
418	417	Cemar, Brazil	Energy	$1,149.1	12.7%	$188.4	42.8%
419	407	Cemat, Brazil	Energy	$1,147.4	7.1%	-$25.9	-133.1%
420	404	AES Sul, Brazil	Energy	$1,145.8	6.0%	$124.6	-5.1%
421	371	E-CL, Chile	Energy	$1,130.2	-10.1%	$56.2	-68.6%
422	412	Kellogg, USA	Food	$1,121.0	6.9%	$167.0	-5.1%
423	493	Ideal, Mexico	Constr.	$1,118.1	66.4%	$21.5	173.0%
424	393	Dasa, Brazil	Health	$1,108.0	-4.7%	$41.7	-46.2%
425	406	Cerr. Zona Norte, Colombia	Mining	$1,100.9	2.5%	$234.4	-19.8%
426	426	Gloria, Peru	Food	$1,100.7	15.4%	$94.8	30.7%
427	410	Roche, Brazil	Chemical	$1,092.5	3.2%	$80.4	32.9%
428	386	Metal Leve, Brazil	Manuf.	$1,090.7	-8.5%	$87.7	-12.8%
429	298	Cooxupe, Brazil	Food	$1,090.0	-32.8%	$9.3	-87.6%
430	402	Grupo Famsa, Mexico	Retail	$1,089.3	-0.7%	$24.9	66.4%
431	400	Positivo Inf, Brazil	Tech	$1,074.4	-3.2%	$14.8	140.8%
432	403	CEEE, Brazil	Energy	$1,071.2	-0.9%	-$151.1	-39.7%
433	395	Minera Zaldivar, Chile	Mining	$1,066.0	-7.0%	$386.6	-20.9%
434	341	Goodyear, Brazil	Manuf.	$1,063.4	-25.8%	--	--
435	418	Even, Brazil	Constr.	$1,058.1	4.0%	$125.7	4.3%
436	--	Unacem, Peru*	Cement	$1,048.9	66.3%	$156.4	77.5%
437	462	Alsea, Mexico	Food	$1,042.7	36.3%	$28.1	93.4%
438	--	Elementia, Mexico	Constr.	$1,041.7	2.9%	$25.1	1335.5%
439	432	Sanepar, Brazil	Water	$1,039.1	11.9%	$164.3	23.7%
440	421	AES Tiete, Brazil	Energy	$1,033.7	2.8%	$441.0	-2.1%
441	--	Drogarias Pacheco, Brazil	Retail	$1,027.9	-0.9%	$29.0	18.6%
442	381	Aluar, Argentina	Manuf.	$1,025.6	-15.4%	$49.7	-60.8%
443	440	Isagen, Colombia	Energy	$1,021.3	17.9%	$260.2	5.5%
444	441	Amazonas Energ., Brazil	Energy	$1,013.2	17.9%	-$405.4	-21.4%
445	431	Wembley, Brazil	Textile	$1,002.3	7.9%	-$16.4	34.0%
446	433	Coteminas, Brazil	Textile	$1,000.8	8.0%	-$50.3	63.7%
447	390	Desarr. Urbi, Mexico	Constr.	$995.9	-14.9%	$40.7	-76.3%
448	--	Cruzblanca, Chile	Health	$984.8	23.6%	$36.9	-5.0%
449	437	TV Azteca, Mexico	Media	$969.5	10.8%	$177.9	11.9%
450	447	Saga Falabella, Peru	Retail	$967.8	17.6%	$50.6	-5.8%

* Merger between Cementos Lima and Cementos Andino.

Details from 2012 in millions of dollars

Rank 2013	Rank 2012	Company, Country	Sector	Revenues	% Chg.	Profits	% Chg.
451	--	Petrominerales Colombia	Energy	$966.0	-23.2%	$140.2	-71.6%
452	458	Elecmetal, Chile	Steel	$962.2	22.4%	$91.1	53.1%
453	489	Promigas, Colombia	Energy	$961.2	40.1%	$134.6	40.2%
454	--	Colanta, Colombia	Food	$945.7	11.3%	$10.2	4.4%
455	--	Gas Nat.Lima, Peru	Energy	$943.3	56.4%	$67.6	-2.7%
456	452	Concha y Toro, Chile	Beverage	$941.4	16.1%	$62.7	-35.2%
457	420	Saraiva , Brazil	Retail	$941.3	-6.5%	$37.7	8.9%
458	435	M&G Polieste, Brazil	Chemical	$933.7	1.6%	-$4.5	87.5%
459	453	Escelsa, Brazil	Energy	$932.1	15.2%	$76.8	38.6%
460	457	Bio Pappel, Mexico	Paper	$924.9	17.2%	$50.2	1056.7%
461	456	Grendene, Brazil	Textile	$921.1	16.5%	$209.9	28.9%
462	422	Sid. Huachipato, Chile	Steel	$920.2	-7.5%	-$66.9	-120.3%
463	--	Cemex, Colombia	Cement	$918.2	41.2%	$117.2	--
464	429	Interoceanica, Chile	Transport	$918.1	-2.2%	$9.3	111.8%
465	450	Inepar, Brazil	Constr.	$914.1	11.6%	-$37.3	-1066.3%
466	473	EEB, Colombia	Energy	$893.5	22.1%	$389.9	148.1%
467	475	Eletrosul, Brazil	Energy	$893.0	23.1%	$33.5	-39.9%
468	--	Evora, Brazil[10]	Manuf.	$891.3	113.6%	$153.5	198.5%
469	478	Prod. Familia, Colombia	Food	$889.3	23.6%	$74.1	75.9%
470	454	Tegma, Brazil	Transport	$880.7	9.5%	$40.8	-21.4%
471	443	Tiendas CM, Mexico	Retail	$867.3	3.0%	--	--
472	487	Herdez, Mexico	Food	$865.4	24.5%	$60.9	24.0%
473	214	Nokia, Brazil	Tech	$857.8	-15.4%	--	--
474	445	Minera El Tesoro, Chile	Mining	$851.0	2.8%	$233.5	-14.4%
475	461	Aceros Arequipa, Peru	Steel	$849.4	10.4%	$23.2	-64.7%
476	--	Albrás, Brazil	Aluminum	$836.9	-8.9%	$2.7	-82.7%
477	468	Ideias Net, Brazil	Tech	$834.2	12.4%	-$9.3	-38.6%
478	464	Springs, Brazil	Textile	$823.5	9.7%	-$70.1	67.9%
479	485	Edelnor, Peru	Energy	$821.8	17.6%	$85.0	10.6%
480	459	Mirgor, Argentina	Auto	$821.3	5.2%	$30.5	62.3%
481	474	Farm. Benavides, Mexico	Health	$819.3	12.8%	$19.9	33.8%
482	488	Luz del Sur, Peru	Energy	$814.7	18.6%	$121.3	9.0%
483	--	Besalco, Chile	Constr.	$806.3	30.7%	$53.5	43.1%
484	498	Corp. Lindley, Peru	Beverage	$804.3	22.4%	$29.5	73.8%
485	480	Cresud, Argentina	Agri.	$802.8	12.7%	$19.8	-41.9%
486	486	Aguas Andinas, Chile	Water	$800.0	14.7%	$253.4	18.5%
487	--	La Polar, Chile	Retail	$798.0	150.7%	$391.8	2103.2%
488	471	CEB, Brazil	Energy	$797.0	8.5%	$27.2	94.5%
489	--	Embonor, Chile	Beverage	$794.9	23.2%	$79.0	12.9%
490	491	EAAB, Colombia	Water	$790.4	16.0%	$116.6	29.2%
491	444	Autometal, Brazil	Auto	$789.4	-5.2%	$77.1	-21.4%
492	499	Anhanguera, Brazil	Education	$786.6	19.7%	$74.4	231.2%
493	460	Axtel, Mexico	Tech	$785.9	1.2%	-$54.7	62.7%
494	465	Aché, Brazil	Pharm.	$784.0	5.0%	$206.6	1.7%
495	--	Elec. Pehuence, Chile	Energy	$783.5	109.5%	$538.4	141.3%
496	446	Edenor, Argentina	Energy	$780.3	-5.4%	-$206.4	-104.8%
497	396	Shougang Hierro, Peru	Mining	$764.3	-32.9%	$247.8	-45.7%
498	467	ETB, Colombia	Tech	$758.8	2.6%	$148.4	34.0%
499	448	Itautec, Brazil	Tech	$756.2	-8.0%	$0.3	-98.6%
500	--	Genomma Lab Int., Mexico	Manuf.	$755.8	30.6%	$120.7	20.5%
		Total		**$2,677,708**	**8.2%**	**$158,238**	**-18.6%**

[10] Former Petropar.
Source: Economatica, empresas. © Latin Business Chronicle/Latin Trade

THE AGONY OF PESCANOVA

The Galician fishing company, Pescanova, with a presence in 11 Latin American countries, will sell its assets as a way out of financial crisis. About 8,000 employees will lose jobs.

Manuel Fernández de Sousa, president of Pescanova

PHOTO: LILY MARTÍN EL PAIS PHOTOS/NEWSCOM

BY SERGIO MANAUT

In April, when the National Securities Commission requested statements from all of Pescanova's creditors, it not only definitively ended the era of Manuel Fernández de Sousa-Faro, who had presided over the company with an iron fist for three decades, it also exposed the hidden accounting of the fishing company that had been a symbol of Galicia. Hidden under the carpet was a debt of $4.4 billion, almost triple what the company had declared. It was a brutal blow to Galician pride. Pescanova, founded in 1960, is one of the leading Spanish multinationals, with a presence in more than 20 countries and a payroll of more than 10,500 employees. Of these, 8,000 work in Latin America, while just 1,000 are in Galicia.

To appreciate the effect of the fishing industry on Latin America, you only have to look at a map. It is present in 11 countries, and its flag flies over 14 affiliates. This did not go unnoticed by the receiver from Deloitte who insisted on paying out $72 million to meet the firm's most urgent liquidity needs. According to sources within the creditor banks, half would go to companies in Latin America.

Analysts believe that the bet on aquaculture could have been one of the causes of the fall of the world's sixth largest fisheries in terms of sales (billings for the third quarter of 2012 were $990 million). In recent years, it has invested more than $650 million in growing lobsters, turbot and salmon in fish farms of up to 27,200 acres in Chile, Nicaragua, Ecuador, Honduras and Guatemala.

Whether it was a risky bet or a strategy, what's certain is that after the debacle of the parent company, the main Latin American affiliates started to fall like dominoes. And so, 24 hours after Fernández de Sousa-Faro left the parent company by court order, Pescanova closed the Argentine plant that Argenova had at Comodoro Rivadavia (the second one is in Buenos Aires and another one is in Santa Cruz), leaving 40 employees on the street. It was more than a blip on the chart: valued at $35 million, it was the most valuable plant outside of Spain.

Things weren't any better in Chile. On May 2, the Justice Department declared that Pesca Chile was bankrupt, and appointed Hernán Chadwick Larraín as provisional receiver. The bankruptcy petition was made by HSBC, the affiliate's main creditor, and BCI. The bankers did it because the assets are worth much more than the company's total debt, so that a sale ordered by these banks could recover the capital loaned. Pesca Chile's red ink totals $69 million.

Chadwick Larraín, perhaps feeling the breath of the city, made it a priority to put in order a business which, according to the *Diario Financiero*, has assets of $500 million, taking into account the extractive activities of fishing and salmon cultures. The receiver is looking at selling the assets of the three local Pescanova businesses, together or separately, through an international bidding process or through an investment bank. There is no shortage of suitors: Marine Harvest, Australis Aquaculture and Cooke Aquaculture have already been calling.

In Ecuador, the company has unloaded two of its nine aquaculture plants for $18 million – money that will go to Promarisco in Ecuador.

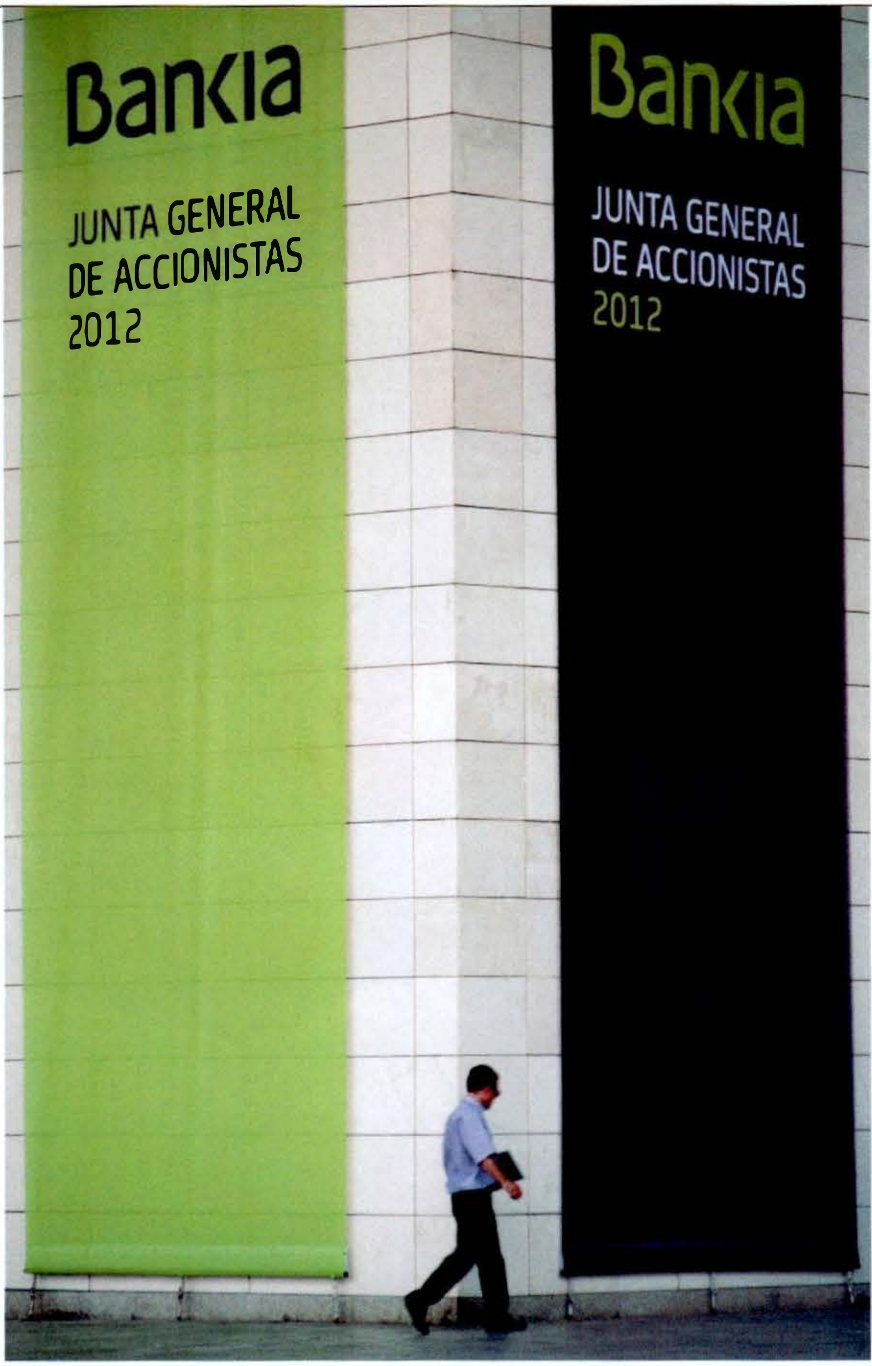
What does the future hold for the Latin American affiliates? Ecuador took the first step and Chadwich Larraín will take the second. LT

Sergio Manaut reported from Madrid.

EUROPE *FOR SALE*

The crisis buffeting the Old Continent opens doors for a new landing of Latin American companies in the region.

BY SERGIO MANAUT



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In 1890, the shoe manufacturer Alpargatas ventured out of Argentina to open a foreign affiliate in Uruguay. In 1905, the agricultural firm Bunge & Born followed its Buenos Aires neighbor. They were pioneers. Some companies opened shop beyond their national borders, but they were more the exception than the rule. The region gained relevance only as the developed economies wallowed in the crisis that struck in 2008. Favorable macroeconomic data sparked the birth and consolidation of big Latin American companies – mainly Brazilian and Mexican – that have gone out to play in the global league. "The boom of the multilatinas coincides with the growth of the region, whose markets remained small. As well, these companies knew how to benefit from their experience navigating in turbulent waters," says Enrique Iglesias, secretary general of the General Secretariat of Spanish America.

Now they want more. But first, a bit of history. The origin of the Latin wave may be explained by certain factors. It's not an accident that many multilatinas focus on exploitation of raw materials such as mining, extraction of fossil fuels and food production. These natural competitive advantages were first brought into play by the boom emanating from China and India, who became major customers for raw materials. Thus, natural resources loom large for the multilatinas. There we see Petrobrás, Pdvsa, Vale and Grupo México. The multilatinas also compete in mature consumer product sectors such as food and drink: Femsa, Bimbo, Marfrig, Arcor, Concha y Toro, and Brasil Foods are in no-holds-barred battles with rivals the size of Dannone or Nestle. Then there's Embraer in the segment of medium-sized commercial aircraft, and Brightstar in sectors with a large component of technology.

THE SECOND WAVE

Ramon Casilda, author of Emerging Latin America, argues that "Spain bet on Latin America and today that region has to bet on Spain." While asking for reciprocity, he forgets an important fact: the Spanish companies entered the region to take advantage of the low prices arising from the privatization wave. Do such bargains exist today in Spain and Europe?

A recent report from the Economic Commission for Latin America says the current situation in the European Union could open new possibilities for trans-latinas, especially in terms of acquisitions. The Commission argues that the loss of value and the need for capital by some companies could help the trans-latinas continue internationalizing their operations in

Europe. In fact, they've been doing just that.

Petrobras has created a company together with Galp Energia to establish a bio-diesel plant in Portugal with an annual production of 250,000 tons. It will start operating in 2015. Another Brazilian firm, Gerdau, is investing in the expansion of several production plants in Spain. Embraer will build a new plant in Portugal to produce structures and components of composite materials, and this investment will be for $150 million over three years. The Mexican company Alfa, through a subsidiary called Nemak (a producer of cylinders and aluminum products) will double its production capacity in Slovakia. Banco de Brasil is expanding its operations in Vienna, which will serve as its operations headquarters in Europe. Cemex has opened a manufacturing plant in Grimaud, France.

Bargain-hunting specialist Carlos Slim has taken on 27.7 percent of the Dutch telephone company KPM and upped its capital in Telejom Austria.

Spain, desperate for cash, is selling itself as a great opportunity for Latin American companies. A highly placed source from the Ministry of Economy told *Latin Trade* that there are excellent investment opportunities. "Many Spanish companies are world leaders in their respective sectors: transportation infrastructure, civil engineering, financial services, information technology and communication," and emphasized that Spanish companies are competitive in terms of price and quality: "We are talking about high-value-added products, above all in the automotive industry." The source said that labor reform passed by the government will make it even more competitive thanks to the reduction in labor costs.

According to Ricardo Conesa, a professor at the IE Business School, the Latin American companies have before them a great opportunity to acquire technology and know-how through total or partial acquisition of Spanish companies. "Why invest money in development to invent the wheel, if it's already been invented?" he says.

SPAIN, DESPERATE FOR CASH, IS SELLING ITSELF AS A GREAT OPPORTUNITY FOR LATIN AMERICAN COMPANIES. THE REAL ESTATE MARKET IS THE KING OF OPPORTUNITIES.

ON SALE

The high commissioner for the Spanish brand, Carlos Espinosa de los Monteros, regrets that in less than two years many Spanish companies could be purchased by foreign companies, because the crisis has made their prices very reasonable. But where do you find these bargains?

The Ibex 35, the index of the Madrid stock

PHOTO: JUAN CARLOS HIDALGO/EFE/NEWSCOM

A man walks by a screen showing a chart with the evolution of the Madrid's Stock Exchange Market IBEX 35 index at Madrid's Stock Exchange, in Madrid.

exchange that measures movements of the market's main companies, is an excellent place to start. Amper, a leading company in communications technology, appears very appetizing. Its shares dropped from $14,300 on the first day of 2008 to $1,600 on May 31 of this year. Gamesa, a world-class company in wind farms, saw its shates plummet from $41,700 at the start of 2008 to $4,540 on the last day of May 2013. These are just a sample of companies' loss of value since the crisis began.

There's more. The real estate market is the king of opportunities. The creditor banks of Realia foreclosed on real estate debts of $1.1 billion that expired on May 31. Instead, the banks were left with the first $650 million that Realia obtained from the sale of its rental affiliate, Realia Patrimonia. Its competitors, Reyal Urbis and Renta Corporation, participated in the bidding.

Bankia, a firm that emerged from the merger of Caja Madrid with some smaller savings banks, is a true window of bargains. The company is arranging to dispose of its portfolio over four years, and several true jewels appear there: 12 percent of IAG (formerly Iberia), Indra (15.7 percent), 19 percent of Metrovacesa, 18 percent of Deoleo (SOS), 14.95 percent of Mapfre and 5.27 percent of Iberdrola.

Codere, the second Spanish company in the sector in play, with a presence in Italy and six Latin American countries, enlarged the list of items for sale at the end of May due to its difficulties in renegotiating a credit of $78 million. The company is looking at possibly spinning off its American business to make room for a partner.

The communications media, both written and audiovisual, is in a vulnerable position. Grupo Cisneros, which has never hidden its interest in Spain, knows this very well. The future privatization of independent television stations could be their foot in the door. The producer Vertice 360 is one of the three best positioned to get a slice of this business, but it has serious economic problems. It has already begun a courtship with the Latin American giant. The plan of Vertice calls for the creation of a joint venture that could evaluate projects both in Latin America and in the Iberian Peninsula. In parallel, it has offered Cisneros the chance to acquire up to 20 percent of the company.

One of the reference banks of Cisneros, the Brazilian bank BTG Pactual, allied itself with Abertis to put together a deal for the tunnels of Vallvidrera and Cadi, which the autonomous government of Catalonia is expected to privatize this year. It has also joined with Acciona to win in the privatization of the public company Aigues Ter-Llobregat, which the autonomous government awarded to the Spanish company. Once again, the privatizations close the circle. LT

S rgio Manaut reported from Madrid.

COVER YOURSELF

As big Latin American firms cross borders, choosing the right insurance is a big deal.

BY FORREST JONES

Today, big Latin American companies, the so-called multilatinas, are not only doing business in a slew of countries in the region, but across the world. Foreign direct investment flowing into Latin America and the Caribbean hit a record $173.4 billion in 2012, up 6.7 percent from 2011, according to the U.N. Economic Commission for Latin America and the Caribbean (Eclac). A god portion of this comes from other Latin American countries. In fact, outward foreign direct investment originating in the economies of Latin America and the Caribbean increased by 17 percent between 2011 and 2012 to hit $48.7 billion, up 2 percent above a previous high set in 2010.

Such growth makes choosing insurance coverage a more complicated affair. An earthquake in Asia could disrupt copper shipments from Chile, or a fire in a Mexico manufacturing facility could disrupt deliveries to a retailer in Central America.

Plus, there are entire new categories of risk out there that need to be covered, especially for big Latin American companies that are increasingly visible in the global business arena. Business owners need to consider cyber liability insurance, insurance for contingent business interruptions that protect against the sudden loss of a supplier or client, and many more.

Add to that, many multilatinas are family-owned or private affairs with less experience taking out insurance for worldwide risks than their Fortune 500 peers in the U.S. and elsewhere, meaning they have less experience agreeing on deductibles that can affect premiums, little time spent vetting insurance brokers, or protecting their brands and businesses on social media sites.

Hire an independent insurance consultant or spend lots of time researching policies, says Dan Weedin, a Seattle-based insurance consultant who has worked with U.S. and Latin American entities in the past as an underwriter and an agent. "If they don't do the right research, they are at the mercy of insurance brokers and carriers who know much more than they do on the subject. This leads to inadequate coverage and higher premiums," Weedin says. Companies should be asking their consultants and insurance providers a ton of questions, he adds.

There are entire new categories of risk that need to be covered. Cyber liability insurance, insurance for business interruptions that protect against the sudden loss of a supplier or client, and many more.

Vet them, and vet them hard. "How financially stable is the insurance carrier? How often will the agent visit and make recommendations? What's the policy for annual review of coverage? How quickly will the response be in the event of a claim? What makes you and your company different from your competitors? There are more that will be based on their type of business," Weedin says.

There are other good practices. Instead of buying policies in each country where a company does business, an umbrella policy, also known as a controlled master program, carries many advantages, says Alejandro Marmorek, managing director at Aon Risk Solutions.

One large policy will save the company on premiums, which in the end are less expensive than local policies, and they won't be limited by country-specific market capacities. Umbrella policies tend to provide more and wider coverage in many different countries, and legally, the corporation may enjoy worldwide jurisdiction to battle lawsuits. Plus, many local policies aren't large enough to handle the needs of today's big multilatinas.

"You have to look at your risk-bearing capacity because when you take a bigger retention you start seeing opportunities to save millions," says Marmorek. "Sometimes, it's not even a savings opportunity but an opportunity for the client to better use capital."

To cite an example, one Aon client said Marmorek, worked with various premiums and deductibles with different brokers and companies and dealt with many different terms and conditions and claims procedures in the countries where it operates. After switching to an umbrella policy, savings quickly followed. They came up to $200,000 or 20 percent of previous insurance costs, says Marmorek. LT

Forrest Jones reported from Miami.

PHOTO: ©ISTOCKPHOTO.COM / HIALMEIDA

Container cranes in Ensenada, Mexico

PORTS: THE PENDING TASKS

Improving the productivity of ports is a necessity in Latin America, but it seems far more important to enhance efficiency in the whole logistics chain, from the producer to the final consumer.

BY DAVID RAMIREZ

According to the World Bank's *Doing Business Report 2013*, Latin America has made great progress in facilitating trade across its borders over the past six years. While in 2007 it took the region an average of 25 days to export and almost 30 days to import merchandise through its ports, this fell to nearly 20 days in each case by the end of 2012. Further, these averages – which are also below those of other emerging markets, including Southeast Asia – are getting closer to the levels for Oecd economies.

Nevertheless, the World Bank report also states that Latin America still has a lot to do to facilitate the international shipment of goods, including simplifying procedures to handle merchandise in the ports and achieving reductions in freight costs. The report says that at the end of last year, the cost of exporting a container from the region was $1,353, which largely exceeds the average cost of Oecd countries, of $1,028. Importing a container to Latin America is even worse, as it costs $1,549 on average while it is only $1,080 for Oecd countries.

Reducing freight costs encompasses actions beyond the increase of efficiency in port operation itself and includes the achievement of economies of scale and synergies in the whole logistics chain. This requires immediate attention, given Latin America's growing role in international trade and the importance that the export sector has for the growth of the region's economies.

PORTS WITH ROOM TO IMPROVE

The experts interviewed for this report agreed that, in general terms, ports in the region operate well "within doors,"but not so good – terribly bad, some would say – "doors out."

Franc Pigna, managing director of Aegir Port Property Advisers, a U.S.-based company that advises the industry on real estate acquisitions, said about the general condition of ports in Latin America that "the region is varied, with places like Venezuela, having a very challenged port infrastructure system, and Colombia, where they have privatized port development and that has worked exceedingly well as the private sector is meeting international operational standards. Likewise, you have ports with good operations in Chile and Mexico, and challenges in Argentina and some in Brazil as well. So there is a wide scope of efficiency in Latin America."

Regarding what to improve inside the ports, Pigna pointed out "the optimization of the financial performance of all their assets, but principally their largest and most strategic one: their property hold-

PHOTO: ©ISTOCKPHOTO.COM / BLFINK

"IF THERE IS ONE PLACE, ESPECIALLY FOR THE BIG PORTS, TO BE MORE EFFICIENT IS TO HAVE BETTER YARD MANAGEMENT SYSTEMS, SO THAT CONTAINERS CAN BE PROPERLY PRIORITIZED AND STORED IN A WAY THAT MINIMIZES UNNECESSARY MOVES."

Amar Ramudhin, director del Supply & Logistics Institute (S&LI), Georgia Institute of Technology (Gatech)

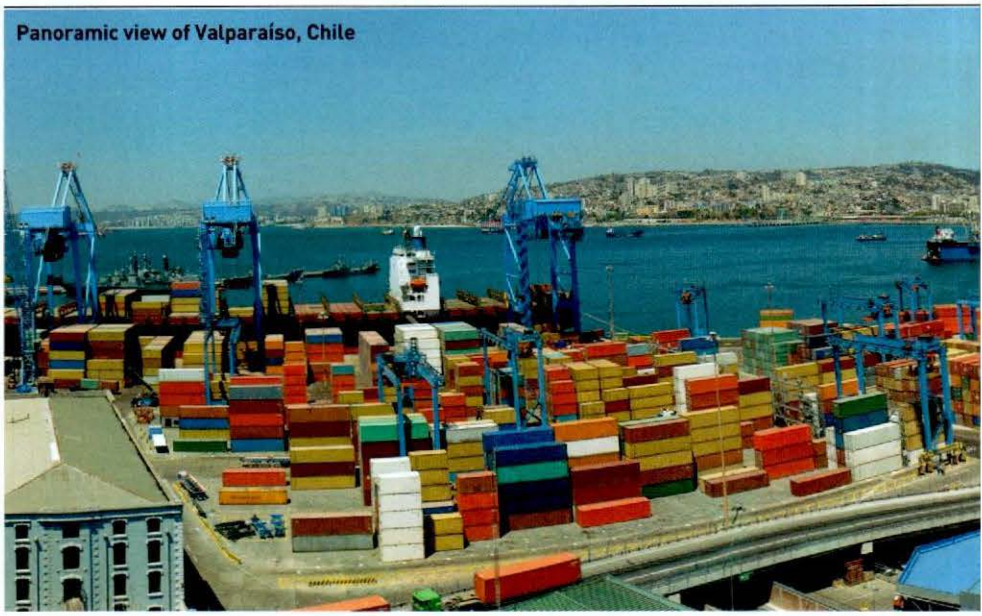
ings" as a key aspect. In his opinion, an efficient administration of land would liberate resources to invest or simply increase shareholders' return.

In the same context, professor Amar Ramudhin, director of Supply Chain Management & Technology at Georgia Tech's Supply & Logistics Institute (SLI), which handles the Logistics Innovation and Research Center in Panama, commented that container handling becomes one of the most inefficient steps when ports are close to reaching their maximum capacity. "If there is one place, especially for the big ports, to be more efficient is to have better yard management systems, so that containers can be properly prioritized and stored in a way that minimizes unnecessary moves. The system then becomes one of extreme quality as containers can be serviced in a timely and cost efficient manner," said the Gatech professor, adding that this could be achieved if operational procedures are well understood first, and then, computerized.

Experts believe that it is necessary to use technology in processes that are done manually, including cargo revision and documentation. Pigna highlighted that "by computerizing certain processes you make them almost instantaneous, thus, saving time and also making it very difficult for corruption to be part of the scene."

Regarding documentation and revision, the government must be ready to facilitate the coordination among the different public agencies so that the adoption of "single window" systems becomes a general rule. Latin America has been moving towards the right direction, but a long road ahead still remains.

In this respect, Mexico, a country where documentation still represents a considerable burden in the shipment process, has recently implemented an alternative, as explained by Francisco Orozco, Maersk director of operations for the Middle-Americas: "We have seen an improvement in this area. Manzanillo specifically has adopted the paperless project, which basically consists of eliminating paper handling in the shipment process. Although there still is a long way to go, this is a good step that we would like to see replicated in other Mexican ports." In practice, Orozco added, some requisites have been eliminated and others have been made electronic, practically eliminating the need for physical documents. (According to Orozco, more than 200 photocopies were required in Mexico to meet diverse shipping requirements some years ago.)



Panoramic view of Valparaíso, Chile

PHOTO: ©ISTOCKPHOTO.COM / PIERIVB

Some countries are revamping the regulatory frameworks. A new port law was approved in Brazil in June 2013, which is expected to revolutionize the industry while contributing to reduce the investment lag created by legislation approved in 2008. "The new law aims to stimulate not only the capacity increase of existing terminals, but also the opening of new terminals along coasts and navigable rivers, which remain underutilized. This will help to overcome the deficiencies created by the deficit of terminals in the north of Brazil," said Wilen Manteli, president of the Asociación Brasilera de Terminales Portuarios (Abtp, the Brazilian port association). The new law, which would be enforced before the end of 2013, will generate investments in excess of $20 billion in increased capacity and new port openings over the next years, which adds to $4.6 billion in public works planned to improve port access.

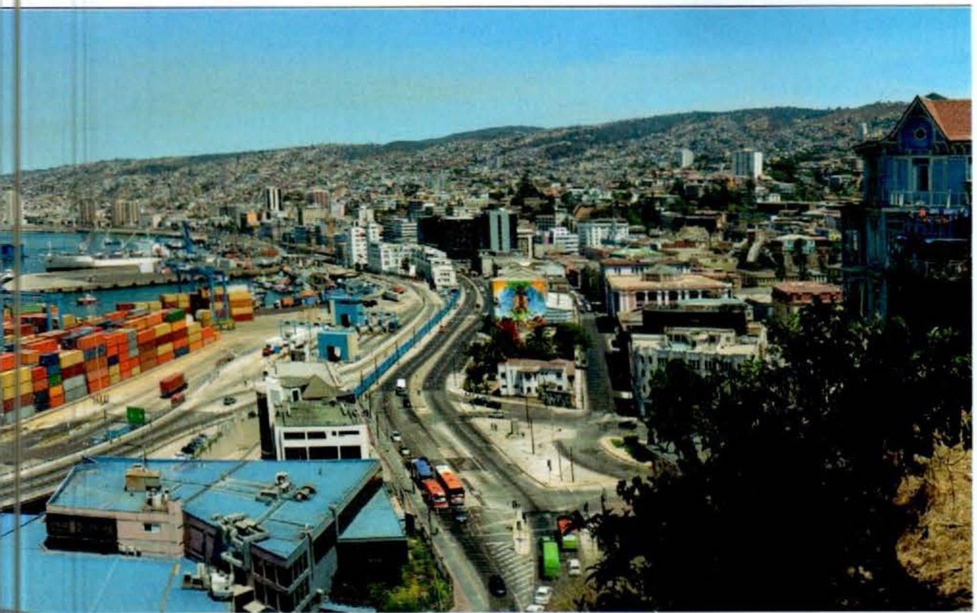
The experts also agreed on the need to train or hire highly skilled people to improve efficiency inside ports. "As a firm, we need to devote full attention to our labor resources, as they are the prime factor that will determine whether we are efficient or not. We must make them feel that they can develop skills in their workplace and that they are the main foundation of the terminal's efficiency, obviously supported by technology investments," said Enrique Clement, marketing manager at the Manzanillo International Terminal (MIT) in Panama, when asked about what ports can do to increase productivity. Speaking from Brazil, Manteli also highlighted the "need for an agreement among government, business leaders and workers (which add more than 23,000) to improve their training skills."

THE BIGGEST TASK: IMPROVE LOGISTICS

The advances and limitations of Colombian ports are a good example of port policies and operations in the region. Privatizations in the beginning of the 90s helped to increase the number and capacity of ports, but the infrastructure to connect them to production and consumption centers was still very poor.

As commented by Domingo Chinea, manager of the Sociedad Portuaria Regional de Buenaventura (the concession handling the port), in Buenaventura – Colombia's main port on the Pacific, privatization multiplied terminals in concession, investment grew and efficiency increased. However, Chinea underlined, "nowadays, bringing a container from China to our port is cheaper than to truck it from Buenaventura to Bogota or Medellin (each at a distance of some 300 miles from the port), or even to Cali (at just 80 miles). The problem is land infrastructure. The port's efficiency is being killed by the high cost of the inefficiency in road transportation."

In this context, the discussion about increasing port efficiency has to encompass a larger problem which comprises the improvement of logistics in general. Nestor Roa, chief of the Inter-American Development Bank's Transport Division explains the shift in focus: "In the 90s, the discussion was on how to manage a port or group of ports in a specific city and



how to strengthen the transportation chain, but thinking of ports as if separate from infrastructure. Today, we speak about how to use the logistic services infrastructure (transport and associated services) in a more efficient manner. The challenge, not only in Latin America but around the world, is how to improve logistics, although the region is an infrastructure investment laggard."

Roa emphasized that the policymakers' dilemma lies on how to increase infrastructure investment, while at the same time defining how to use the infrastructute and how to better use their intermodal advantage so that ports become articulated to the rest of the productive chain. In this context, it becomes a priority to speak simultaneously about roads, railways, freight cargo passing through cities, and about the qualification of truck drivers.

The ultimate goal is to avoid dramatic cases as the ones highlighted by professor Ramudhin in Central America: "In Costa Rica, it takes four hours to get from San Jose to Limon (one of the country's main ports), but it would take only take 2 hours if there was a good highway. This would cut down the logistics cost. Location of the port can also be an issue. In El Salvador, La Union port, was built under the assumption that it would attract large traffic; even transform itself into a regional hub. In the end, the location of the port was not good. Its access channels were silted by a neighboring river. The additional unplanned dredging cost significantly reduced the productivity of the port. The same happens if a port does not have good land connectivity. Its natural catchment area is significantly reduced by the presence of other competing ports."

While bearing in mind that "the biggest challenge of the port industry in Latin America and in the world in general is the infrastructure investment financing gap," as Pigna said, and that the answer to this is to "invest, invest, and invest in infrastructure," as Chinea put it, another key aspect in this so-called holistic view is the additional coordination effort required among the different actors within the logistics chain. This essentially involves the public sector, so that there is consistency among customs requirements, border controls and regional and local authorities.

As Ramadhin said, "each agency has its own agenda, budget and autonomy. The point is how to get all those agencies to coordinate and cooperate. In many places, it has worked by creating some kind of champion agency or by revising the processes and consolidating them in a single window environment." In this regard, the experts underscored the new effort being implemented in Brazil. Manteli highlighted the political will of president Dilma Rouseff, who elevated the importance of the topic by establishing a federal commission that makes recommendations to improve logistics in the country.

It is not a minor issue and from this point of view, perhaps the biggest transformation that the governments in the region should implement in organizational terms, is to replace secretaries and ministries of transportation with secretaries and ministers of logistics. LT

David Ramirez reported from Miami.

NOSTALGIA, PRODUCTIVITY AND ECONOMIC GROWTH

What is Mexico doing to recover its Golden Age growth rates? Are those the right strategies?

BY ARTURO FRANCO[1]

Fifteen years after graduating from MIT, Mexico's Finance Minister Luis Videgaray Caso was invited to speak at an event hosted by his alma mater in Mexico City. A member of the relatively compact, elite-educated, politically savvy technocracy that has overseen the country's economy for half-a-century, Videgaray was surely pleased by the recognition. Yet, to the favored new steward of Mexico's fiscal stability, this homecoming keynote did not come at a good time. The Finance Ministry had just cut the country's growth outlook for 2013 from 3.5 percent to an uninspiring 3.1 percent following sluggish first quarter results. In fact, Mexico had the weakest economic performance since the end of 2009.

When asked about the reasons behind the abrupt change in expectations, Videgaray took the long view. "For over 30 years, growth in Mexico has been driven mainly by the workforce, and capital and productivity have been, and are still, the obstacle; that is, we would be better off today if Mexico had the productivity levels the country had in 1980," he said to the participants of the MIT Emerging Technologies Conference. "We have failed in terms of economic growth," he concluded. This is a bold statement, particularly coming from the current linchpin of the country's right-leaning technocrats. Still, there is much more to these remarks than just an acknowledgement of bad results: there is a certain sense of nostalgia for the country that was, and the country that could have been.

In a way reminiscent of the present time, in the early 1990s, Mexico managed to convincingly position itself as one of the world's most promising emerging economies. Developed country status seemed achievable and the country brimmed with hope around its vast economic potential. Yet as Videgaray reminds us, Mexico's economic performance for the last few decades has been disappointing. Having achieved average growth rates of close to 7 percent during the 1960s and 1970s, the country has settled recently for rates closer to 2 percent. GDP per capita has seen zero growth over this same period. Consequently, during a period in which countries such as India and Chile almost doubled the size of their economies, Mexico's expanded by less than one-fifth.

The conventional explanation for this lackluster growth is that the country is constrained by a series of flaws that continue to pull down its growth potential. Typically, these flaws are said to include, among other

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PHOTO: ©ISTOCKPHOTO.COM / KENPIXL

things: an overly rigid labor market, inadequate infrastructure, limited access to finance, an overbearing informal labor market, high costs of energy and other inputs for production, and a poor public education system. The simple truth is, however, that the set of economic policies that might have saved Mexico in the past have failed to deliver increasing productivity and sustained growth in the last couple of decades. Since 1991, the country's productivity has only seen a 2.1 percent cumulative increase, compared to 85.5 percent in South Korea, according to the Cidac, a leading think tank. Today, an average Mexican worker is only a third as productive as the average Spanish worker, and has less than 20 percent of an Irish worker's productivity.

A BRIEF ON MEXICO'S GROWTH HISTORY

When, if ever, did Mexico see strong and sustained economic growth? One needs to go back a long way, to the years between 1960 and 1979, to find it. In a period known as the Mexican Miracle, the country saw an unprecedented economic expansion when national income grew more than 6.7 percent a year. This was the last time the country saw growth rates above the 7 percent mark. It was also the last time Mexico went ten years straight without a recession. This growth, however, was the result of inward-looking economic policies—such as import substitution, which developed domestic markets—and while it resulted in significant improvement in productivity, income per capita, and living standards, it also ended in a crisis.

Mexican President Enrique Peña Nieto

A subsequent period, known as the "Lost Decade" of the 1980s, left Mexico hindered by output reduction, inflation, and a distorted exchange rate policy. During the worst of the aftermath of the 1982 crisis, output fell by 3.9 percent, inflation topped 120 percent a year, and the peso depreciated by 90 percent. Real GDP grew by less than 1 percent in 1980–87, while GDP per capita declined sharply, and total factor productivity growth turned negative. After several episodes of economic instability during these years, marked by high inflation, fiscal excesses, and recurring financial crises, the country experienced an impressive structural transformation. Following the economic orthodoxy of the time, and led by President Carlos Salinas de Gortari, a Harvard-trained economist, Mexico went through a massive reform process that inspired a generation of policymakers leading up to Videgaray. They were taught to believe that thrusting Mexico into trade and investment openness, and deregulating and privatizing strategic sectors, would do the trick for growth.

Moreover, Mexico's enrrance into powerful trading blocs and groups that had included only more developed economies was seen as a promising sign. "Nafta will allow sustained recovery of Mexican growth, and this global change [trade liberalization] is the only way to restore growth, create jobs and meet the needs of future generations," President Salinas said in 1992. During this same time Mexico launched a bid to join the Organization for Economic Cooperation and Development (Oecd). The country's admission in 1994, which was unusual in that the Oecd is primarily a group of rich nations, was recognition by Oecd members that Mexico was on the road to success. These were the golden years.

TWO DECADES OF DISAPPOINTMENT

However, by early 1994 Mexico's self-imposed expectation of achieving developed nation status came to an abrupt halt. The country faced, once again, serious macroeconomic imbalances, with a widening current account deficit in the face of strong domestic spending, emerging problems in the financial sector, increasing concerns about the fiscal outlook, and outflows of private capital. In just a couple of years after the Tequila Crisis, between 1995-1997, Mexico lost almost 7 percent of its total factor productivity. A report by Cidac claims this was mostly due to labor market rigidities.

Political transition in 2000, when Vicente Fox became the first non-PRI President in modern history, did not help either. After recording a 6.9 percent growth rate during the last year of Zedillo's term, Mexico's economy came dangerously close to a recession, with growth rates of 0.01 percent and 0.75 percent in Fox's first two years in office. By 2006, the average growth rate for Fox's sexenio (six-year presidential term) was below 2.5 percent. The continuation of neo-liberal economic policies contributed to the decline, which was driven by the Argentinean economic crisis and slower growth throughout the hemisphere.

More recently, the 2008-09 global financial crisis—and more specifically, the U.S. economic downturn that followed—had notably strong negative effects on the Mexican economy, due largely to the strong economic dependence on trade with its northern neighbor. Mexico's income contracted by 6.6 percent in 2009, the sharpest decline of any Latin American economy. However, it rebounded slightly in 2010 but grew below the 4 percent mark in 2011 and 2012. The Calderon sexenio ended with a less-than-favorable average growth rate of 1.8 percent, and without delivering on urgently needed structural reforms.

DEMOCRATIZING PRODUCTIVITY

Today, President Enrique Peña Nieto and his administration have inherited an economy that could grow more, perhaps as much as 6 percent or more a year. Moreover, Mexico needs to increase its long-term growth rate by as much as 2 percentage points if it wants to meet the expectations of its citizens, especially in terms of job creation and poverty alleviation. The country requires the creation of at least 1.3 million jobs a year simply to accommodate new labor market entrants. This need is reflected in recent polls where economic growth has become the main concern of Mexican citizens, overriding security. Growth was also a central issue in the country's 2012 presidential election, and the new president promised to triple it during his term.

So what is Peña Nieto doing differently? Sadly, not much. The inclusion of the objective "Democratizing Productivity" in the National Development Plan, the six year blueprint presented by each administration, could be seen as a step in the right direction. The plan somewhat empowers the newly created National Productivity Committee (Conapro) to come up with solutions to the country's endemic economic problems. President Calderon had a similar committee working on competitiveness, with no major acheivements except obsessing about Mexico's falling rank in the World Economic Forum's Global Competitiveness Report. The new focus on productivity is a good sign but there seems to be little difference in the process, nature, and dominant ideology behind this "democratized" approach to be optimistic. Perhaps, as Mexicans like to say: "We were better off when we were worse off?" LT

PACT FOR MEXICO: A PROSTHETIC FOR REFORM PARALYSIS?

The strengths and weakness of a "gentlemen's agreement" to reform a nation.

Here's a history lesson: During the presidential term of Ernesto Zedillo, the last Institutional Revolutionary Party (PRI) president before Mexico's first democratic transition in 2000, the opposition party National Action Party (PAN), with a simple majority in the lower chamber, rejected a proposed reform initiative from the executive that would have allowed private businesses to participate in the energy sector. The president of the PAN's national executive committee at the time was a young and ambitious Felipe Calderon. Four years later, congress once again rejected an almost identical energy reform proposed by President Vicente Fox, from the now ruling PAN. Felipe Calderon was now minister of energy and had endorsed the reform proposal. This time, it was the PRI that used its majority vote to stop the reform.

Almost a decade later, Calderon, now the president, proposed a similar package of energy sector reforms after months of behind-the-scenes negotiation with the PRI. This time around it was the leftist PRD who took to the floor of the chamber of deputies to prevent its passage and then delayed the reform by subjecting it to several months of expert testimony in the senate. The end result was a disappointing series of minor changes, but no comprehensive energy reform, almost 15 years after it was first required to improve the efficiency of the sector.

The inability of the Mexico's major political parties to reach consensus in critical matters has been the constant since 1997, when legislative majority by any single party was lost forever. Thus, progress on both the political and the economic front has been slow-paced for many years in Mexico. Painstakingly, the prolonged failure to approve some of the most urgently required structural reforms for more than a decade has created the widespread perception of reform paralysis. Mexico's future seems to be held hostage inside the legislative palace of San Lazaro. That is, until last December.

The Pacto por Mexico (Pact for Mexico), signed on December 2, 2012, by President Enrique Peña Nieto and the presidents of the PRI, the PAN, and the PRD, was seen as a truly positive sign. In somewhat of 1987 déjà vu, and with the approval of 86 percent of the Chamber of Deputies and 88 percent of the Senate, this "new deal" placed 95 commitments on the table touching on many of the previously mentioned reform priorities. For a couple of months, the Pacto created unprecedented legislative progress on the education and telecommunications fronts. Yet, vital reforms in energy, fiscal, and competition policy, which have sunk in congress in the past, are still uncertain, as the stability of the political agreement has been put into question.

END OF THE HONEYMOON

Only three months after the Pacto was signed, the first signs of trouble started to emerge as both opposition parties complained in February about a "lack of progress" that could jeopardize the stability of the Pacto. Six months into it, the agreement was already briefly suspended by the president who decided to "give space for dialogue" for the mounting differences between the parties. This happened after the PAN raised a flag for the misuse of federal funds in Veracruz to favor PRI candidates in elections next July. The brief break-up ended with the signing of an addendum in which the three major parties agreed to shield the elections from the influence of the delivery of social programs during and punish officials who commit malpractice. Critics have mocked this addendum, claiming it reiterates what is already stated in the Constitution and election law.

The weakness of this "gentlemen's agreement" between the parties was notable from the beginning. Many analysts had originally pointed out that the Pacto could become "more politics than policy" because only around 60 percent of the commitments required changes in law and more than half referred to a single initiative: the Fiscal Reform. Peña Nieto's consensus strategy had the potential for rapid disappointment. The combination of raised expectations, built on a hurried and weak political equilibrium and channeled through a highly ambiguous "laundry list" agenda, had the recipe for disaster.

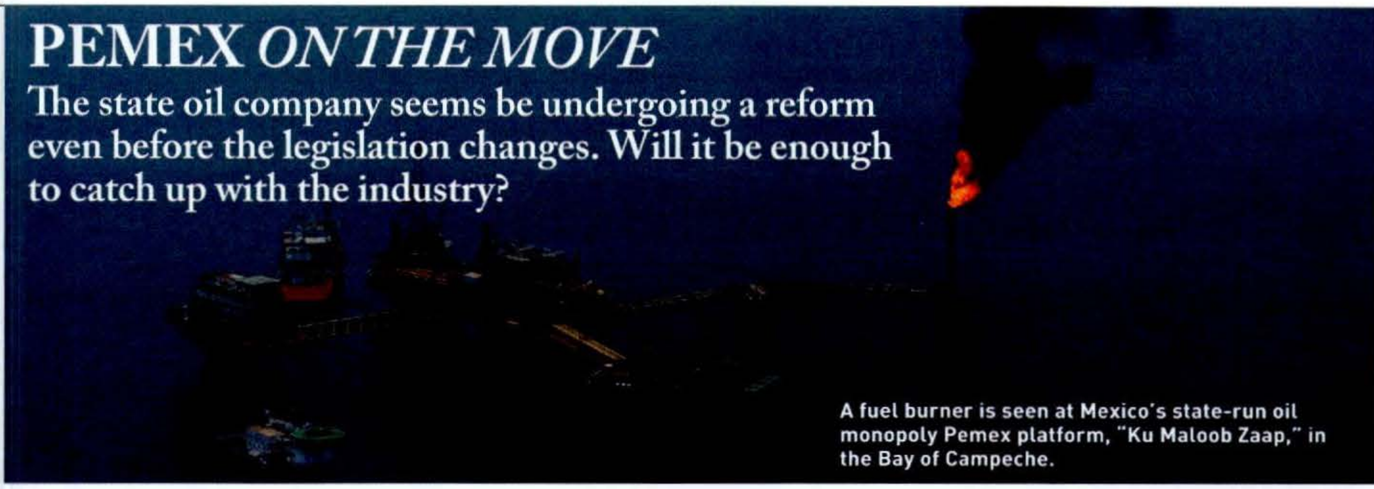
POLITICAL REFORM: THE BIG BARGAIN?

Behind the Pacto por Mexico and other visible political quarrels lies a silent battle between the executive and legislative powers for political control and influence. In stark contrast with the times when almost all of the country's laws came directly from the president's office, a practice that continued until recent decades, Mexico's Congress seems to have gained its independence in the last 12 years, during the PAN rule. In fact, more than 90 percent of the almost 1,000 laws passed by congress during the last sexenio (six-year presidential term) originated in the legislative branch, not the executive. Yet Mexican citizens are far from satisfied with their current political representation. An opinion survey on congress found that more than 65 percent of respondents gave lawmakers less than a 50 percent approval score for overall performance and that almost 70 percent believed that legislators did not represent the national interest.

As things begin to move again, the new government will face increasing pressure to support a series of daring legislative initiatives intended to improve democratic governance. The long-awaited political reform could include initiatives for allowing reelection of legislators, introducing a run-off election for presidential candidates, reducing campaign costs and public financing of parties, and providing mechanisms to increase the say of the Mexican electorate over proposed legislation. The Pacto por Mexico might not live past the next elections in July. However, the country's citizens will surely continue to strengthen their collective voice and make democracy work not only in Mexico, but also for Mexico. LT

PEMEX *ON THE MOVE*

The state oil company seems be undergoing a reform even before the legislation changes. Will it be enough to catch up with the industry?



A fuel burner is seen at Mexico's state-run oil monopoly Pemex platform, "Ku Maloob Zaap," in the Bay of Campeche.

PHOTO: VICTOR RUIZ/REUTERS/NEWSCOM

A few months ago, when Enrique Peña Nieto was sworn in as Mexico's president, a reform of the energy sector and the state-run oil company were at the top of his agenda. Since the 1930s, the country's constitution created a public monopoly for Pemex (Petroleos Mexicanos), which controls most of the oil industry's value chain, from offshore exploration to selling gasoline. Today, the combination of inhibitive restrictions, systematic underinvestment, bad management, and an unruly worker's union has contributed to enormous losses in the sector, even in times of high-energy prices. The new president promised to make an overhaul part of his "legacy" and his administration is preparing a reform initiative for the second half of 2013.

Yet, just one month into the task, the new government began to realize the breadth of the challenge. As Mexico's Finance Minister assured an attentive Davos crowd that energy sector reform was in sight, the central headquarters of Pemex suffered an unexplained gas explosion that destroyed part of the HR department and left more than 30 dead. Weeks after this abrupt awakening, a report of a 500 million peso ($39 million) zero-interest loan from the company to the powerful union Sindicato de Trabajadores de la República Mexicana, Stprm, was leaked to the press; the government responded by blaming the past administration. Finally, the signs of a weakening Pacto por Mexico (see the article "Pact for Mexico: ¿A prosthetic for reform paralysis?") have left the badly needed energy reform hanging by a thread.

FALLING PRODUCTION AND EFFICIENCY

While many sectors in the country would surely benefit from improved efficiency and openness in the oil industry, the most interested party in transforming Pemex could easily be the federal government itself. Through high taxes and contributions from its current $80.6 billion in revenue, the oil giant funds a third of the government's annual budget. In this sense, the most impactful reform for Pemex might not necessarily be an energy sector reform, but a comprehensive fiscal reform that would allow the state to find alternative sources of income.

However, after almost 10 years of falling efficiency and revenue in Pemex, with only one in four of its business units registering a profit, change is urgently required. Oil production in the flagship Cantarell field, which reached more than 2 million barrels a day, has seen eight consecutive years of declines. Once one of the world's five biggest oil finds, it now delivers less than 400,000 barrels daily, the lowest output in 22 years. Moreover, due to the protracted investment in refining capacity, Mexico has to import more than 40 percent of its gasoline today.

DON'T USE THE P WORD

A clearly positive step towards reform in Mexico's oil industry has been taken by the ruling Institutional Revolutionary Party (PRI), a traditional supporter of energy sovereignty and state ownership. In the party's latest national assembly, it managed to change some of its restrictive by-laws, making them more flexible to Pemex's opening to private investment. Yet, even with signs of improved political and economic conditions for a comprehensive energy reform, the end result could still fall short from what was originally proposed.

The leftist Part of the Democratic Revoltuion (PRD) Senator Dolores Padierna has sustained her party is still vehemently opposed to private sector participation in Mexico's oil sector. With strong national sentiments around the company that celebrates 75 years of its expropriation this year, President Peña Nieto has made it clear that the company will remain fully state-controlled. "The nation will continue to exercise full sovereignty over the ownership, control and exploitation of oil, and Pemex will not be sold or privatized" he said in Mazatlan last week.

AND YET IT MOVES...

While the current laws might make it illegal for Pemex to enter into joint ventures, the company has found creative ways of engaging with third parties. A few months ago, for example, Mexico's Energy Secretary Pedro Joaquin Coldwell announced the signing of a public-private deal with Mexichem, the largest plastic pipe manufacturer in Latin America, to create a new company for vinyl chloride production. More recently, Eduardo Medina Mora, Mexico's ambassador to the U.S. pledged other profit-sharing contracts for companies that invest in the country's oil industry. And so, from seeking Chinese financing, to buying a shipyard in Spain, Pemex seems to move, with or without reform. Still, it is unclear if it will move fast enough to catch up with the industry. LT

Chinese President Xi Jinping delivers a speech during an honor dinner offered by Mexican President Enrique Peña Nieto (out of frame) at the National Palace in Mexico City.

MEXICO'S TRADE PLATFORM: HAS IT DELIVERED?

Mexico, a manufacturing powerhouse has the challenge to diversify its export markets.

BY ARTURO FRANCO

Last month, when Brazilian ambassador Roberto Azevedo won out over Mexico's Herminio Blanco to lead the World Trade Organization, many in the country reacted with disbelief. If there were an award for the nation most devoted to international trade, Mexico would surely nab it. To this day, the country has signed free trade agreements with more than 40 countries and can access a potential market of over 1 billion consumers. Beyond its intimate relationship with the world's largest export market, the United States, Mexico prides itself on being one of the most connected commercial players globally, reaching over 60 percent of the world's GDP.

Thanks to trade, the country has become the largest producer of smartphones and the fourth-largest exporter of mobile phones, accounting for 65 percent of Blackberry's worldwide production. It is also the ninth-leading producer and the sixth-leading exporter of motor vehicles in the world. Furthermore, Mexico is the largest recipient of investment in aerospace projects in the world, with over 200 aerospace companies based there. Some of the engineers that participated in designing the engine for the Airbus 380, the world's largest mass-produced aircraft, were based in Mexico.

Yet, despite this ongoing commitment to openness and trade liberalization, something seems to be missing. The diversification of Mexican exports to new markets in the last decade has been modest, if not absent. According to data from Mexico's Central Bank, the share of total exports to the U.S. decreased from 90 percent in 2000 to 82 percent in 2012, with a slight increase in exports during the last decade to South America and Asia. Last year, Mexico had a trade surplus with only three countries: the United States, Guatemala, and, for the first time, Brazil. So, why has Mexico not taken full advantage of its impressive trade platform?

NAFTA, TWENTY YEARS LATER

The country's privileged geographic location, and close ties to the U.S. and Canada, might be part of the reason. The North American Free-Trade Agreement (Nafta) was groundbreaking. It was the first comprehensive free trade arrangement between advanced countries and a developing economy, and it created the largest free trade area in the world in terms of total GDP, and the second largest in terms of total trade volume. The agreement also gave Mexico a head start in entering the coveted U.S. consumer market. As a result, Mexico's trade as a percentage of GDP increased sharply, from about 27 percent of GDP in 1980 to over 60 percent in 2012.

The average tariff rate on Nafta imports was reduced from 12 percent in 1993 to less than 2 percent in 2001, while the rate of effective protection was projected to continue to decline as integration with North American markets continued. However, perhaps due to a loss in productivity, Mexican exports to the United States flat-lined after 2000, with slight recoveries in 2004 and 2010 that were attributable to higher oil prices rather than to increased trade volumes.

Economists have found evidence that the speed of convergence of productivity among Nafta participants accelerated during the post-treaty period. However, in part due to institutional gaps and rigid labor laws, the expected convergence in income levels between Mexico and its two partners never happened. In other words, while trade liberalization did create some initial benefits, the country lost it's competitive advantage somewhere in the last decade.

CHINA, COMPETITOR OR SUPPLIER?

Mexico seems to have deteriorating terms of trade and many point to the rising challenge from China and other lower-wage Asian countries. This has been particularly problematic given the size of the Chinese economy and its potential to compete with Mexico in the U.S. market. In 2007, Mexico was displaced by China as the second-largest source of U.S. imports, just behind Canada, which remains the largest. However, this author's research with Professor Ricardo Hausmann at Harvard's Center for International Development has shown that China has not displaced Mexico in the United States. Both countries have seen their market shares grow in most product categories.

China has become more of a problem for Mexico as a provider of unfinished goods, as it has broken local supply-chains and reduced the economic benefits of Mexico's exports. The share of Mexican imports from China rose to almost 15 percent during the last decade, and almost 90 percent of that increase came from inputs for export industries. It was clear during Xi Jinping's visit to Mexico in June that the current administration does not see this as a problem, and rumors around a potential FTA with China became louder. It would not come as a shock for a country that seems to collect trade agreements without much to show for it. LT

PHOTO: ALFREDO ESTRELLA/AFP/GETTY IMAGES/NEWSCOM

THE MAN AT THE HELM

Secretary of Finance Luis Videgaray Caso explains his strategy to make Mexico grow at six percent. The effects of the labor reform, the transformation of Pemex, his view on controls on banking and the fiscal reform.

BY SANTIAGO GUTIÉRREZ

In the alternate office of the Secretariat of Finance, on Julio Verne Street, in the Polanco area of Mexico City, Luis Videgaray Caso has a full day: natural for the person at the helm of the world's 14th biggest economy.

Cordially, the secretary of finance gives precise answers to *Latin Trade*'s questions, with no political gimmicks. He seems to have the peace of mind of someone whose actions have been endorsed by the international and domestic markets, and of someone who knows this is Mexico's Moment.

The country's success has long been compared with Brazil's, but these Latin American countries differ fundamentally in their path to prosperity. "Mexico is more open than Brazil. Mexico decided to open up to trade and that was the right decision," the secretary said. According to the World Trade Organization, the international trade to GDP ratio for Mexico is 61 percent, whereas for Brazil it is just 23 percent. Also, import tariffs average 8 percent in Mexico and almost 14 percent in Brazil.

Mexico and Brazil also differ in their export structure. Almost 70 percent of Mexican exports are manufactured goods; almost 65 percent of Brazil's exports are agricultural and mineral products. Mexico's strength in manufactured goods also sets Mexico apart from the rest of Latin America, a region that is strongly regressing towards commodities.

Although Mexico's path has been different, its development strategy shares characteristics with the rest of the region - Mexico is working hard on productivity. "Over the last 30 years, productivity fell 0.7 percent. In this context, growth becomes very difficult," Videgaray stressed.

Faster growth is crucial for a government that had as a campaign promise, to grow GDP at a rate three times higher than the 1.9 percent it posted on the last few years. The government will strive to achieve 5-6 percent growth rates by the end of its six-year term, Videgaray said.

The key for accelerating GDP growth hinges on reducing informality, increasing competition and lowering operative costs for businesses, according to the secretary. The government is also promoting better access to credit, lower energy prices and improvements in education to boost the economy. The idea is to have these measures help every business in Mexico, "not just a few," Luis Videgaray said. The government's aim is "democratizing productivity," and it will try to reach every small business in the country.

The administration has already managed to pass some reforms that will probably expand formal employment. Mexico's labor reform opened the door to part-time and hourly contracts - which were illegal before, and training contracts with favorable terms for companies which hire apprentices. Luis Videgaray, who holds a PhD in Economics from MIT, admits however, that the labor reform is not a miracle cure for the short term. "The Bank of Mexico predicts that the reform will contribute a 0.5 percent to GDP growth on the long run."

Some think these measures would allow Mexico to take advantage of a favorable global context, of rising wages in China. The Boston Consulting Group predicts that by 2020, average wages in China will near those in the U.S., and that Mexico's will be 25 percent cheaper than the Chinese. The secretary dismisses that idea. "The goal of economic policy is that everybody wins, that everybody has higher wages," he said. His country does not intend to compete with low salaries but instead with higher productivity, which requires improved infrastructure and a more educated workforce, he said.

REAL BANKERS

Other reforms are coming. First, a financial reform which will focus on increasing credit availability for businesses and consumers. Luis Videgaray ruled out that the government would consider interest rate controls to improve credit access. "We are convinced that credit and interest rates cannot be managed by decree, but through a more competitive market," he said. But he added that regulations do work. Banks are regulated around the world, he said, and part of the regulation is to make sure that "banks act like banks." The secretary supported his idea with the case of the United States, "which nobody doubts is a market economy."

Since 1973, the Federal Reserve has the power to restrict its bond offerings to banks that do not act like banks, that is, that they do not lend most of the money they get from de-

PHOTOS: SECRETARIA DE HACIENDA Y CREDITO PUBLICO

"THE FINANCIAL REFORM STRENGTHENS THE RULE OF LAW AND THE REGULATORS' ABILITY TO ENSURE THAT THE BANKING SYSTEM FULFILLS ITS SOCIAL FUNCTION."

positors, Videgaray said. "The financial reform strengthens the rule of law and the regulators' ability to ensure that the banking system fulfills its social function," he added.

Secretary Videgaray is an experienced voice when it comes to the financial industry. After all, 31 financial crises in Latin America in the last 25 years have left many valuable lessons that today are being put to practice even by the United States and Europe. "We learned to regulate banks".

PEMEX AND THE TREASURY

An energy reform that will allow the private sector into Mexico's oil industry is also pending. The reform would also change the operation of Mexico's state oil company Pemex, the second-largest company in Latin America with $127 billion in revenues in 2012.

The secretaty conceded that a new capital structure for Pemex could resemble that of Petrobras or Ecopetrol, two state oil companies which sold a minority stake to the private sector. "Nevertheless, Pemex has to look for its own model," he said. What seems necessary to him is that the company should be more agile and transparent. It should simplify its internal procedures so that its way of doing business is not "dominated by government logic."

Luis Videgaray also thinks that the company has to set a clearer strategy to compete. "Pemex does some things very well, and some others not so well. It is among the best companies in (oil) production in shallow waters." he said. On the other hand, the company does not have so much knowledge on deep-sea or shale oil production.

And lastly, there's the fiscal reform that is deeply tied to the energy reform because it should allow government to shake off its dependency on Pemex income. Today, Pemex funds a third of Mexico's annual budget. The fiscal reform would offer new alternatives to raise tax revenues (see article "Pemex is moving.")

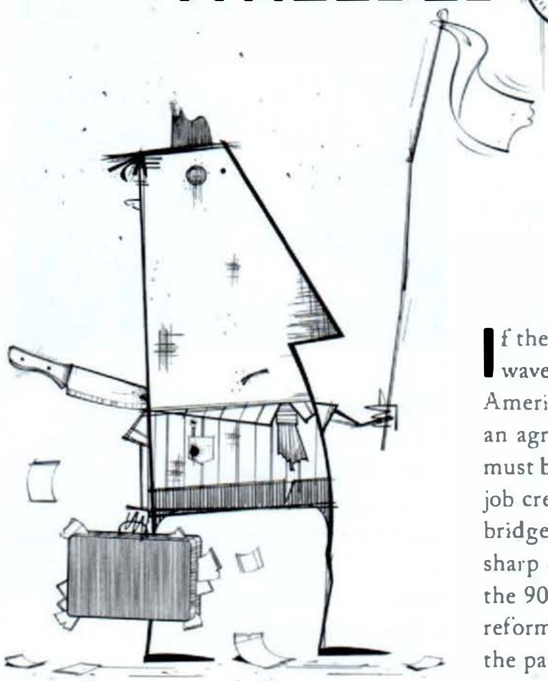
Luis Videgaray does not give details on the reform which will be discussed in Congress soon. But, he told *Latin Trade* that the reform will stand on three pillars. The first is a stronger financial muscle for federal, state and municipal governments. The second is a simpler tax system which fosters competition and discourages informality. The third pillar is justice, because the reform aims at maintaining equality and having those who have more, pay more.

A group of international scholars are assisting the secretary in drafting the reform, but the secretary keeps their names secret. This interesting piece of information could give many clues as to the orientation of the new reform. Analysts of the Mexican economy will have to wait and wonder.

The day goes on for Luis Videgaray. Today, for instance, he has to let markets know that he has not entered an under-spending cycle, but that – as it happens every year - spending is lower during the first semester and increases in the second. The secretary must also move forward the reforms, especially the fiscal reform, his number one priority. Loads of delicate financial tasks, but he seems to enjoy what he is doing. Maybe because Videgaray knows it is Mexico's Moment. LT

Santiago Gutierrez, special envoy to Mexico City.

A NEEDED  STRUCTURAL REFORM



A well-educated and productive labor force is a condition for development. Will reforms in Colombia, Mexico and Brazil be sufficient?

BY DAVID RAMIREZ

ILLUSTRATION: ©ISTOCKPHOTO.COM / JCGWAKEFIELD

If there is a topic that should lead a new wave of structural reforms in Latin America it's the labor market. There is an agreement among economists that it must be deeply transformed, to foster job creation, to reduce informality and to bridge the education gap in the region. In sharp contrast with the faster progress of the 90s, the pace and scope of structural reforms in Latin America declined over the past decade. In fact, a 2012 report authored by researcher Eduardo Lora for the Inter-American Development Bank (IDB, *Structural reforms in Latin America: What has been reformed and how to measure it)*, shows that labor was the area where the least reforms were made in 2000-09.

Another IDB document published at the beginning of 2013 (*Rethinking reforms: How Latin America and the Caribbean Can Escape Suppressed World Growth*, coordinated by Andrew Powell) ratifies the need to implement profound

changes to the labor market. Taking into consideration the now uncertain and somewhat pessimistic world economic outlook, the report recommends increasing productivity through changes in the labor regime that address structural problems, such as informality.

As Andres Fernandez, economist from the IDB's research department and co-author of the *Rethinking Reforms* document, told *Latin Trade*, "there is a significant statistical relation between low productivity levels and high informality, which justifies reforms in this area." According to Fernandez, increasing formality requires, among others, to tackle phenomena such as credit access and the size of firms.

COLOMBIA, MEXICO AND BRAZIL, THREE CASE STUDIES

The IDB emphasizes that the solution package must consult the particular needs of each country. In this context, Fernandez highlighted a recently approved reform in Colombia that lowers payroll taxes paid by employers, which is expected to reduce the high levels of informality in that country, which according to local authorities exceeds 65 percent.

There are disincentives to labor formality, paradoxically, coming from progress in other social areas. Workers prefer to remain in the informal sector where they get subsidized state-provided health, with similar benefits to the ones formal employees get. The difference, formal workers have to pay their health plans through contributions and copayments.

Other conditions of the labor market have to be revised. Labor Economist Monica Parra-Torrado, found a strong correlation between short-term contracts and low productivity in Colombia. This is very significant, as close to 20 percent of all people employed in the country have this type of contractual arrangement. She believes that in many instances employers do not want to invest in the development of employees which will probably leave the firm soon, and employees do not have the drive to increase their own productivity as they do not feel satisfied with their jobs knowing that there is no way up in the company's ranks.

Mexico recently made an important

> **"THERE IS A SIGNIFICANT STATISTICAL RELATION BETWEEN LOW PRODUCTIVITY LEVELS AND HIGH INFORMALITY, WHICH JUSTIFIES REFORMS IN THIS AREA."**
>
> Andres Fernandez, economist from IDB's research department

...THE REGION'S TASK IS NOT ONLY TO INCREASE NEW JOBS AND REDUCE INFORMALITY, BUT AT THE SAME TIME, IT HAS TO IMPROVE TALENTS AND SKILLS OF ITS HUMAN RESOURCES IN ORDER TO BE ABLE TO COMPETE IN INTERNATIONAL MARKETS. A TITANIC JOB.

step in labor issues, which is capturing the attention of business, workers, academics and politicians. At the end of 2012, the Mexican congress made history approving the first high impact labor reform since 1970.

The new legislation introduces changes that had been adopted in other countries years ago, but which constitute a real move forward in Mexico given that the left-wing opposition had always considered them as a threat to job quality. The reform includes changes to allow temporary hiring, the payment of wages per hour, and the introduction of more flexible terms and lower costs for hiring and firing workers.

The Mexican private sector has welcomed the initiative. In an interview with *Latin Trade*, Monica Flores, general manager of talent-recruiting firm ManpowerGroup Latin America highlighted that "although some aspects can be improved, the reform is a first step to be in tune with the modern labor world. It helps to increase productivity and competitiveness, while increasing the inclusion of vulnerable groups (women, elderly, youngsters, handicapped)," she added.

However, Flores believes that the new Federal Labor Law is insufficient to reduce informality by itself. This objective, said the executive, requires the adoption of additional reforms that, for example, improve the tax regime, remove obstacles to the set up of new business, increase legal stability, modernize key sectors such as energy, and improve education and training levels.

In turn, Brazil, the economy that harbors the largest labor force in Latin America, has not undertaken any major labor reform in decades. As Fernando Alves, president of consulting firm PwC Brazil, explained to *Latin Trade*, "the Brazilian labor market operates in the 21st century with laws made 60 years ago. The rigidities in the labor framework make the cost per employer multiply by three, on account of labor benefits."

Alves says that a reform is necessary and suggests it should include, among others, a simpler regime to hire foreigners, the adoption of variable compensation, and the possibility to sign temporary contracts, although he thinks those will not have enough political backing from the administration. On the same topic, Sergio Averbach, president for South America of talent-recruiting firm Korn/Ferry International, told *Latin Trade* from São Paulo that the Brazilian labor market would benefit from "the simplification of labor laws, the reduction of taxes on payroll, and the creation of fiscal incentives to increase education."

Avberbach added that Brazil's recent economic success has increased the talent gap. This is nowadays a generalized problem in Latin America, but it has apparently reached dramatic levels in Brazil. According to a recent research by ManpowerGroup, while 35 percent of business leaders worldwide report shortages in the talent they require, this share rises to 68 percent in the case of Brazil, one of the highest figures in the globe.

In this context, the region's task is not only to increase new jobs and reduce informality, but at the same time, it has to improve talents and skills of its human resources in order to be able to compete in international markets. A titanic job.

And, a job that offers no easy fix in some places. As noted by Fernando Aparicio, head of talent-recruiting firm Spencer Stuart for the Andean Region, whenever it comes to countries with an unfavorable business climate, such as Venezuela, "under these circumstances, the talent deficit is hard to close. No wage or regulation is enough." LT

David Ramirez reported from Miami.

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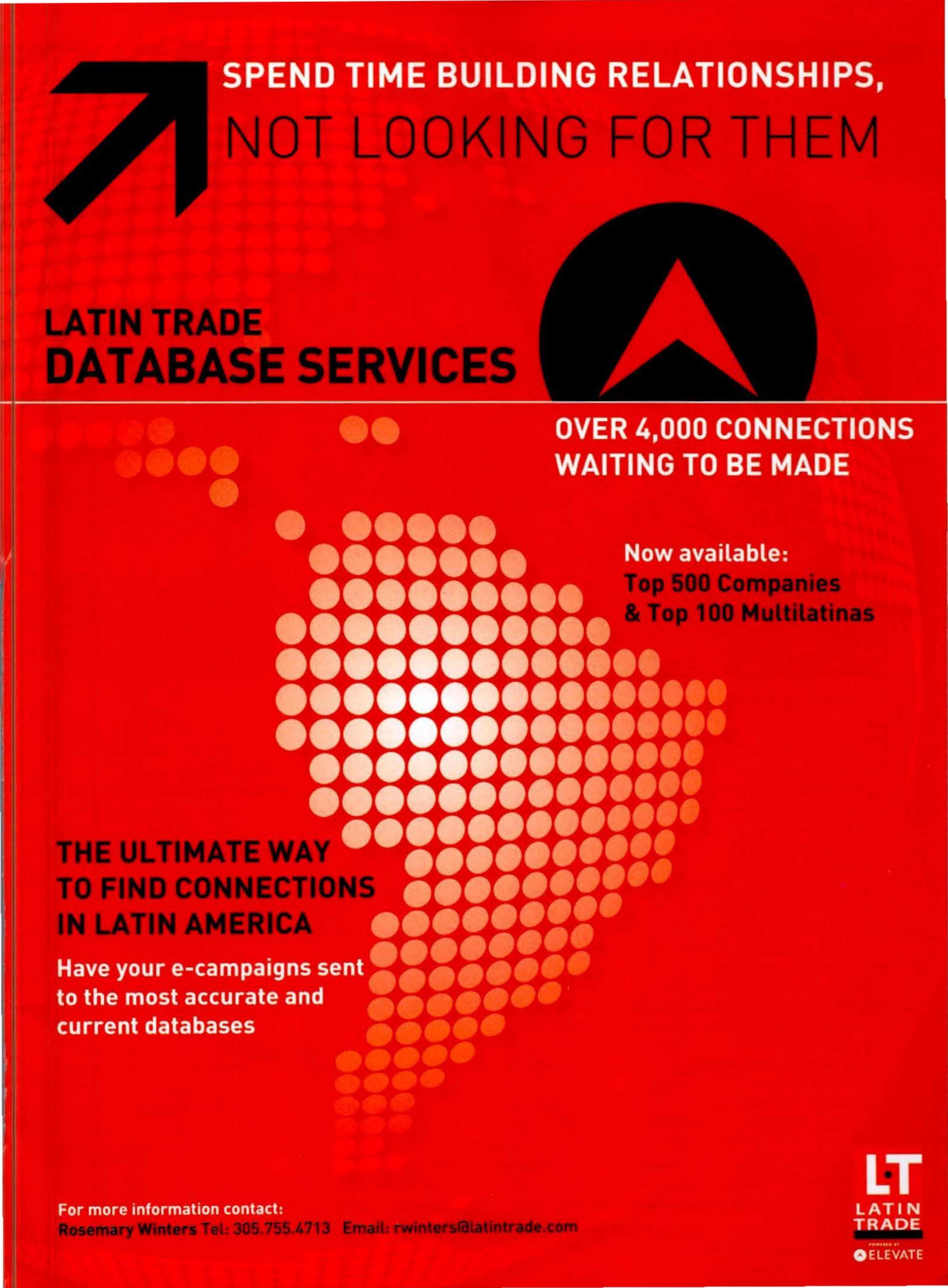
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ALFA'S NORTE

The Mexican conglomerate is readying itself to profit from the energy revolution in North America.

ALFA RECORDED REVENUES OF $15.2 BILLION FROM ITS FIVE DIVISIONS.

BY RONALD BUCHANAN

For a man who manages the destiny of billions of dollars a year, Ramon Leal Chapa is singularly modest. "It's important to listen to other people and their viewpoints," emphasizes *Latin Trade*'s CFO of the Year Mexico 2013. "The best piece of advice I can give to other people is to listen to banks and analysts," says the chief financial officer of the Monterrey-based conglomerate Grupo Industrial Alfa. "These are people who see what we don't see as CFOs," said Leal.

Alfa recorded revenues of $15.2 billion from its five divisions. Alpek, the petrochemicals heavyweight, pulled in $7.3 billion. Aluminum auto-parts leader Nemak pulled in $3.9 billion and chilled foods division Sigma earned $3.4 billion in quality cold cuts and cheeses.

The telecommunications Alestra division earned $400 million while the new kid on the Alfa block, Newpek, drew in some $100 million. Newpek may be small, but its potential is highly significant, Leal told *Latin Trade*. "Newpek is involved in the production of shale gas in the Eagle Ford formation in Texas. "That's on the cusp of the energy revolution in North America."

The Eagle Ford formation extends into Mexico, where the major shale gas and oil resources have been identified in the North not far from Monterrey, and also around the Gulf Coast on the borders of Veracruz and Tamaulipas. The current Mexican constitution bars the private sector from exploring and producing oil and natural gas. Only the state monopoly, Pemex, can do so. What that means is that Newpek cannot do in its homeland what it does in the United States.

"However, President Enrique Peña Nieto has promised an energy reform later this year," said Leal. In comments to the foreign press when he was visiting the recent Group of Eight summit in Northern Ireland, Peña Nieto revealed that shale-gas opportunities for the private sector will be available under the reform.

Analysts also predict that will open up that market in petrochemical feedstock. "That would be a very major boost to Alpek," says Leal. And Alpek, of course, accounts for almost half of Alfa's revenue.

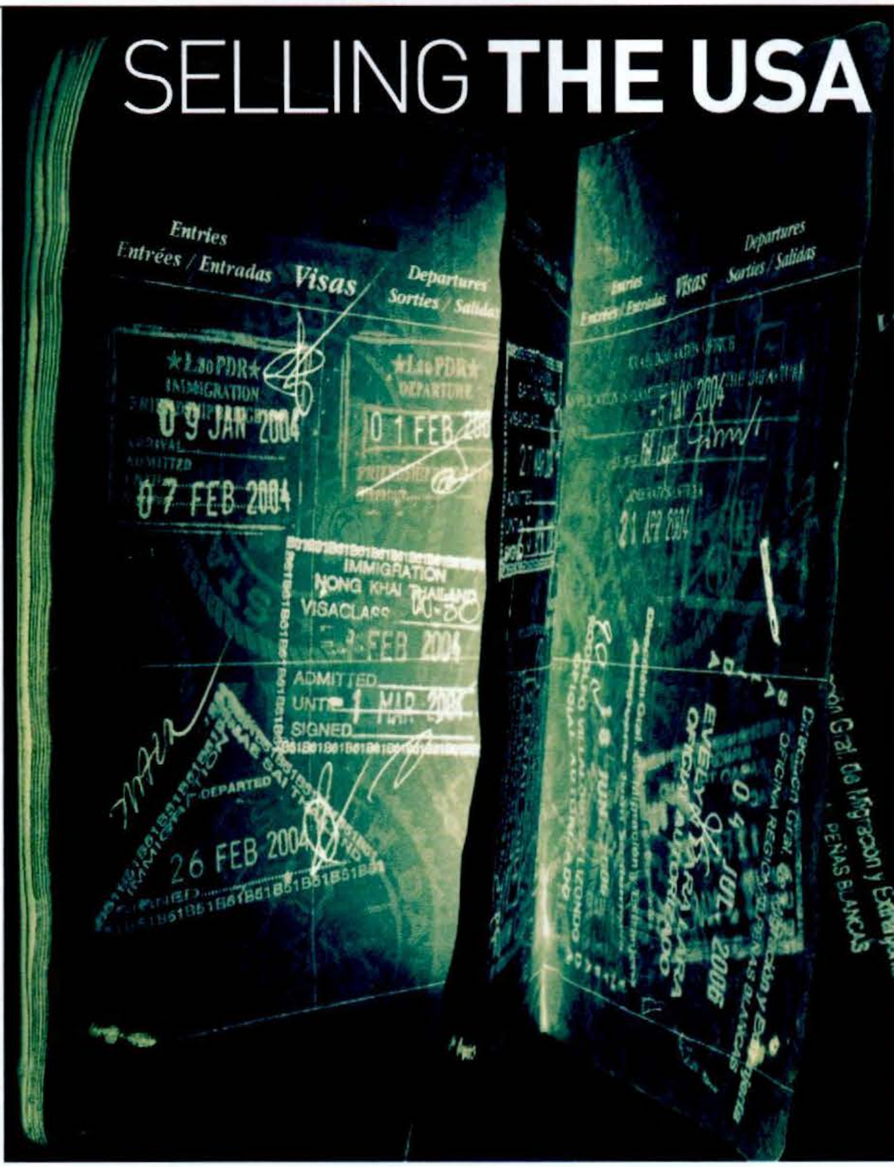
Cautious as always, Leal refuses to count his energy-reform chickens. "Of course, we would welcome these changes but if they are rejected by legislators, we will continue to press ahead under the current situation," he adds.

The energy reform is planned to go ahead almost hand in hand during the second half of the year with a fiscal reform that is expected to challenge the skills of CFOs in the management of corporate tax. "We're ready for that in Alfa. We have to work hard on it, but working hard is part and parcel of the process of change," Leal says. Peña Nieto says he wants Mexico to be transformed. And Leal is ready for that too. LT

Ronald Buchanan reported from Mexico City.

PHOTO: RAMÓN GONZÁLEZ

SELLING THE USA



Companies in Latin America see a smoother visa process as crucial to growing U.S.-bound travel

BY MARK CHESNUT

More than 6,000 delegates convened in Las Vegas, Nevada in June for IPW, an annual convention — formerly called International Pow Wow — organized by the U.S. Travel Association to promote inbound international travel to the United States. For companies that sell U.S.-bound travel from Latin America, one frequently discussed topic was of particular importance: the Visa Waiver Program (VWP), and the ease with which travelers in the region can obtain visas.

A lot of potential business is riding on the visa process, according to Patricia Rojas-Ungar, vice president of government relations at the U.S. Travel Association, where she leads the development of policy agenda and represents the travel community before the U.S. government. "I've been coming to IPW for five years, and I've seen a sea change in demand," she said. "Several years ago, the main issue — whether we were talking to Mexico or Brazil, the two biggest [Latin American] markets — was that it takes so long to get in the door for the [visa] interview, and so we have to give the Obama administration credit for listening to U.S. Travel make the case for removing that barrier."

Wait times for visa processing, according to Rojas-Ungar, are down in many parts of Latin America, while the number of applications has risen. Roger Dow, president and CEO of the U.S. Travel Association, told IPW delegates that the wait time for a U.S. visa in Brazil has been reduced from an average of 100 days to just five days.

To make the visa process smoother, Rojas said that the U.S. government has hired more consular officers in Latin America and also reviewed how they could make the experience more welcoming. "In fact, in Brazil, the state department actually worked with Disney, whose job is to make people feel comfortable. Disney was helpful in redesigning the queuing experience in Sao Paulo and Rio."

Also key to developing growth in U.S.-bound travel from Latin America is the Visa Waiver Program (VWP), which allows citizens of participating countries to travel to the United States without a visa for stays of 90 days or less, when they meet certain requirements. In Latin America, all eyes are on Chile, which is in line to become the first Latin American country to join the program.

Adrian Turner, who serves as the Chile chapter president of the American Society of Travel Agents (Asta), predicts that the Visa Waiver Program will result in a surge in travel from Chile to the United States and vice versa, since it will likely result in the removal of the reciprocal visa charge for U.S. travelers arriving in Chile as well.

Recent changes — and the possibility of Latin American nations being added to the VWP — are good news for anyone selling travel to the United States, according to Andre Carvalhal, regional general manager for Latin America & president for Brazil at Carlson Wagonlit Travel. "Historically, it's been a bit of a challenge for corporate and leisure travelers to visit the United States due to the visa requirements, but some changes are making this a bit easier. B1 and B2 type visas will now be valid for 10-year

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THE WAIT TIME FOR A U.S. VISA IN BRAZIL HAS BEEN REDUCED FROM AN AVERAGE OF 100 DAYS TO JUST FIVE DAYS.

periods versus five years, so travelers won't have to renew them as often. Also, Chile has been added as a nominee for induction into the Visa Waiver Program in 2014, and Argentina, Brazil and Uruguay are also being considered."

"Visas are a barrier," said Maria Oriani, the Bogota-based general manager at Despegar.com, which operates in 21 countries. "At Despegar.com this was proved with the case of the visa [requirements] imposed in Mexico for travel to Canada. Demand immediately fell 40 percent." She added, however, that the free trade agreement between the United States and Colombia has helped smooth the visa application process for travel between those two countries.

GROWTH POTENTIAL

Based on attendance at IPW, it appears there is more interest than ever in selling the U.S. to Latin American travelers. Registered Latin American buyers at the event — which was predicted to generate $3.5 billion in future travel to the United States — increased from 220 delegates in 2010 to 276 delegates in 2013.

Business travel is a major source of increased travel to the United States, according to Carvalhal. "Travel to Europe is down, but we're seeing increased travel to both China and to the United States as business destinations," he said. "Based on 2012 data from the Office of Travel and Tourism Industries, passengers traveling from Latin America to the United States have increased. Travel originating out of Mexico has increased 7.5 percent, while Central America has increased 7.5 percent and South America increased 17.6 percent compared to the previous year."

According to Carvalhal, Houston, Miami, New York, Atlanta and Dallas are the top five U.S. destinations for travelers based in Latin America. "They are hubs for major U.S. air carriers that fly to Latin America," he explained. "Chicago, Los Angeles and Washington are also popular markets. On the leisure side, Orlando, Miami, New York, Las Vegas, and Denver are the most popular destinations. Travel to these destinations in the United States is originating out of Brazil, Argentina, Colombia

and Chile." As for leisure travel, Carvalhal said that Orlando, Miami and New York are top sellers for Latin American travelers.

Oriani said that her company has witnessed great growth in sales to the U.S. in the past five years. "There are cities that receive passengers consistently all year round," she said. "Miami, for example, is unique in that it doesn't have a low season for [travel from] countries like Chile, Argentina, Peru, Ecuador, Costa Rica and Panama. This group of nations have Miami and New York among their top five best-selling destinations, year-round."

Several factors can positively or negatively affect sales to the United States, according to Carvalhal, "among which there is the impact on military- and government-related travel due to the U.S. government sequestration, enhanced Free Trade Agreements (FTA) such as the Cafta [Central America Free Trade Agreement], Chile FTA and Colombia FTA. Also, ticket fares are decreasing due to seasonal capacity changes and airline competition."

"IN BRAZIL, THE STATE DEPARTMENT ACTUALLY WORKED WITH DISNEY, WHOSE JOB IS TO MAKE PEOPLE FEEL COMFORTABLE. DISNEY WAS HELPFUL IN REDESIGNING THE QUEUING EXPERIENCE IN SAO PAULO AND RIO."

ILLUSTRATION: ©ISTOCKPHOTO.COM / BPLANET

American Express Travel, which reports Mexico and Brazil as its top producing countries for U.S.-bound travel from Latin America, also shows strong growth in U.S.-bound travel, according to Cecilia Victoria Beltrame, the company's director of global supplier relations LAC. "The USA continues to be the most important market outside of our region for business and leisure travelers," she said. "We have had a double-digit growth in 2012 versus 2011."

Favorable Latin American currency exchange rates are helping to drive sales to the United States at Avianca, according to Carlos Duran, the company's vice president of marketing and sales at Avianca. In addition, interest in the United States as a destination is always growing, since Latin Americans are evolving and there is a tendency to look for new options beyond Florida, which has traditionally been the most in demand."

Duran said that passengers bound for the United States are more likely to purchase only the airline ticket rather than a vacation or hotel package, although the company's Avianca Tours division does offer both.

With demand and sales on the rise and the visa process getting better, the key to future growth is to keep up with the times, according to Rojas-Ungar. "The issue now is that with the demand going up, we are hearing specific comments about people having to wait too long at our ports of entry. So that's something we want to tackle, because the last thing we want is to have someone get off a 10-hour flight and have to wait another three hours." LT

Mark Chesnut reported from New York.


Richard Quest
London
Maggie Lake New York
Nina Dos Santos London
John Defterios Abu Dhabi
Andrew Stevens
Hong Kong

Jacobo G. Tefel, CEO, Fogel Group; Cecilia del Carmen Mojica Prieto, Founder CEO Delinutricion de Mexico; Peter Moore, Chen Moore and Association; Martin Mayorga, President and Founder, Mayorga Coffee; Mark Ludwig, Principal, Variant Advisors & Contributing Editor, Latin Trade

OPPORTUNITIES FOR SMEs IN LATIN AMERICA

Trade Americas Expo is the premier conference and meeting for small-and-medium sized companies from North America and Latin America and the Caribbean that are interested in learning about the growth opportunities and risks when entering new markets throughout the hemisphere. With 600 million inhabitants and an economy of $4.8 trillion, Latin America and the Caribbean is a fantastic target for SMEs, and Trade Americas Expo was one of the finest places in the world to explore this market.

The event is hosted annually by *Latin Trade* in partnership with the Inter-American Development Bank (IDB). In its latest edition this past June 20, more than 300 registered participants attended a two-day conference program held at the JW Marriott Marquis Miami hotel. The conference brought together more than 40 international experts who discussed topics like 'The new architecture for SMEs to grow businesses beyond borders', 'Doing business in Latin America', 'Access to financing for SMEs', as well as regional presentations and success stories.

The discussions had the participation of high-ranking government officials like U.S. Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson, one of the most powerful women in the hemisphere, who delivered the event's keynote address which focused on the new agenda for economic engagement in the Americas. Uruguayan Minister of Economy and Finance Fernando Lorenzo, Dominican Minister of State Jean Alain Rodriguez, Peruvian Vice Minister of Tourism Claudia Cornejo, and United States Export-Import Bank Board Member Sean Robert Mulvaney were also present in presentations and panels.

A number of members from the private sector were present to share their expertise and success stories, such as Goodyear Latin America President Jaime Szulc, Marriott Latin America President Craig Smith, Panalpina Latin America CEO Ferdinand Kurt, and Carlos Gonzalez, partner at Diaz, Reus & Targ. Santiago Urti, business development director of Uruguay's Pagnifique, and João Barbosa, CEO of Brazil's Giraffas, were also there to share their company's success in entering the U.S. market. Attendees at Trade Americas also heard success stories from SMEs like Colombian VSI Nearshore Outsourcing, Mexican Delinutricion, U.S.-based Chen Moore and Associates, Colombia's Mayorga Coffee, and Guatemalan Fogel Group.

Specialists from the IDB, the World Bank, Bulltick Capital Markets, Visa, the Ministry of Development, Industry and Foreign Trade of Brazil, the Korea Trade-Investment Promotion Agency, the U.S. Department of State, Start-Up Chile, the Council for Economic Growth and Investment of Haiti, the Ministry of Economy of Mexico, the Investment and Development Corporation of Suriname were also present to share their insights on the region's economy.

Besides the conference, Trade Americas Expo served as a window for exhibitors who wanted to showcase their products or promote trade or investment in Latin America and the Caribbean. It also provided the setting for more than 250 one-on-one business match-making meetings. "This conference provided usable connections and powerful information to facilitate our business in Latin America," said Kris Smith, CEO, of U.S.-based, Datacom Solutions.

"This was my first time attending. The whole meeting was very informative. Everyone was knowledgeable and presentations were excellent. This is a 'must attend' event for me," said Kathleen Kieffer, international sales manager at Sanrio.

On the second day, a special afternoon session, the Peru Investment Forum, was hosted with Promperu, which gave a chance for investors to see the tremendous opportunities for investment in the country, which will this year be the second fastest growing in Latin America. Presentations included opportunities for investment in the country's major infrastructure projects, as well as presentations on the regions of Ica and Piura.

By bringing on international investors who have forged successful partnerships in Latin America and showcasing their personal experiences and accomplishments, we are able to offer Trade Americas attendees a thorough understanding of the opportunities available to grow their businesses in the region," said Rosemary Winters, CEO of Latin Trade Group. LT

PHOTOS: PABLO BLAZQUEZ

Roberta Jacobson, Asst Secretary of State for Western Hemisphere Affairs, United States Department of State

Daniel Veron, Avis LAC Sales; Astra Singh, Chief Communications Officer, Investment and Development Corp, Suriname

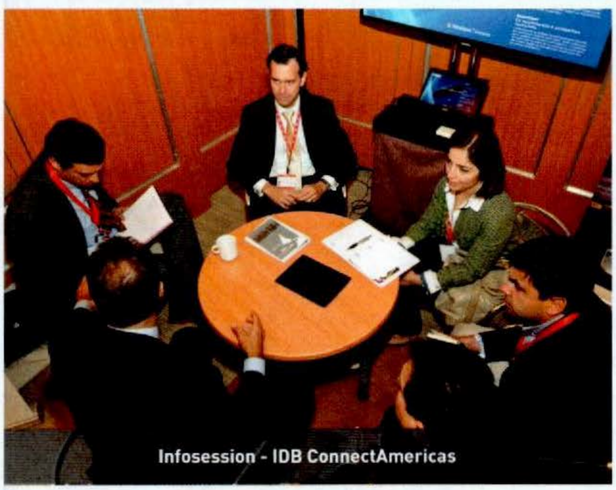
Fernando Lorenzo, Minister of Economy and Finance, Uruguay

"THIS CONFERENCE PROVIDED USABLE CONNECTIONS AND POWERFUL INFORMATION IN FACILITATING OUR BUSINESS INTEREST IN LATIN AMERICA."

Kris Smith, CEO, Datacom Solutions Inc.

Richard Burns, Chairman, Latin Trade Group; Diego Rodriguez, Regional Director Commercial Products, Latin America and the Caribbean, Visa, Inc.; Steven L. Reed, Managing Director - Client IIC; Sean Mulvaney, Member, BOD, Export-Import Bank of the United States; Alexandre Rossi, Managing Partner, Latin Idea Ventures; Manuel Malaret, Director of SME and Microenterprise Promotion, CAF – Development Bank of Latin

Sekou Alleyne, Manager Investor Sourcing InvesTT; Rogier Bronk, Vice President of Global Sales, TMF



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Adrián González, Senior Specialist, Global Indicators and Analysis, World Bank Group; Ferdinand Kurt, CEO for the Americas Region, Panalpina; Eduardo Celino, Foreign Trade Analyst, Ministry of Development, Industry and Foreign Trade, Brazil; Jaime Szulc, President of the Goodyear Tire & Rubber Company, Latin America Region; Craig S. Smith, President for the Caribbean and Latin America, Marriott International

Santiago Urti, Business Development Director, Pagnifique; Horacio Melo, Executive Director, Start-Up Chile; João Barbosa, Chief Executive Officer, Giraffas Restaurants; Fabrizio Opertti, Chief of Trade and Investment, Inter-American Development Bank

Enrique García, President and CEO of CAF – Development Bank of Latin America

Sean Mulvaney in matchmaking session with Marco Mora Concordia Management Services LLC

The *Doing Business in Latin America* panel.

Richard Burns, Chairman, Latin Trade Group; Ramón A. Leal Chapa, CFO, Grupo Alfa; Maria Lourdes Gallo, Publisher & Executive Director, Latin Trade Group

CFOs FACE THE CHALLENGES OF
MEXICO'S MOMENT

Romario Alves-Pinto, Director, GTS Mexico-Treasury Sales Manager, Bank of America Merrill Lynch; Alfredo Padilla, VP; Global Treasury Trade & Liquidity Sales, Bank of America Merrill Lynch; José Oulego Velasco, Vice President, Senior Product Manager, Global Trade & Supply Chain, Bank of America Merrill Lynch

Rodrigo Llop, Business Development Director, SAS Institute; Luis Emilio Fortou, Global Commercial Expansion Team, Latin America, Visa, Inc.; Rogelio Flores, Controller, SAS Institute

With a new and reform-minded Administration headed by President Enrique Peña Nieto, the international press has branded what has become "Mexico's moment."The chief financial officers from some of the nation's leading corporations gathered on May 16 and 17 at Latin Trade Group's most recent CFO Event at the Four Seasons Hotel in Mexico City, to evaluate their opportunities in this new environment.

In the short term, Carlos Capistrán, Director and Chief Mexico Economist, Bank of America Merrill Lynch Global Research, warned that much will depend on the US economy with which Mexico's is inextricably linked. Like other speakers, Capistrán has been shaving his forecast for growth this year at least.

Ramón A. Leal Chapa, Chief Financial Officer of the Monterrey-based Alfa industrial group, was presented the CFO of the Year Award. Leal Chapa reflected the expectations that have been raised by President Peña Nieto's reform program, especially the forthcoming energy and fiscal reforms, which several speakers described as the keys to the success of a more productive economy that would reap important benefits for all Mexicans.

Leal Chapa's responsibilities include five separate companies that cover petrochemicals, high-tech auto-parts, refrigerated foods, telecommunications and one that produces shale gas in the United States. In all, Alfa has 85 production plants in 18 countries in the Americas, Europe and Asia, presenting a mighty challenge for any CFO. In his keynote address, Leal Chapa emphasized that Alfa's "cautious approach has paid dividends in increasing the profitability of all of the group." LT

Ronald Buchanan reported from Mexico, D.F.

Javier Rodriguez Della Vecchia, Chief Executive Officer General Insurance, Zurich Insurance Group - Mexico; Armando Giner Chávez, Chief Risk Officer, SVP, Grupo Bimbo

Alejandro Díaz de León, Deputy Undersecretary for Public Credit, Ministry of Finance and Public Credit of Mexico

Victor Bravo-Martin, CFO, ICA

Mayela Rincón de Velasco, CFO, Bio Pappel

Latin Trade CFO México

PHOTOS: RAMÓN GONZÁLEZ

CONNECTING LATIN AMERICA'S **CFO** COMMUNITY

Powerful Travel Benefits

Getting the most out of Visa Corporate card programs in Latin America

Versatile Corporate card solutions help manage travel risks while saving companies valuable resources

BY DIEGO RODRÍGUEZ

In a challenging global environment, the ability to control travel-related risks and expenses while optimizing company resources is a must. A Visa Corporate card program from your participating financial institution enables your company to achieve these objectives. This secure, flexible and convenient solution can save your company money while reducing the risks associated with business travel. In addition, Visa Corporate cardholders can enjoy exclusive benefits that improve the travel experience and peace of mind of employees and management, such as the following:

Emergency Medical Compensation: The Emergency Medical Compensation benefit applies when foreign travel itineraries are purchased using a Visa Corporate card. This benefit reimburses the traveling employee's medical expenses incurred during their travel to and stay in a foreign country, subject to the restrictions of the policy offered by your Visa Corporate issuer. Given that many insurance plans do not provide coverage for medical expenses incurred during travel to another country, the Emergency Medical Compensation benefit can eliminate the need to purchase supplemental third-party travel insurance for your employees. Another Emergency Medical Compensation benefit is that it satisfies insurance coverage requirements necessary to obtain a travel visa for certain countries, including Europe's Schengen area.

Visa recently introduced a new Corporate Premium offering to enhance the travel experience of senior executives, while complementing the many benefits of the Visa Corporate card program.

Travel Accident Insurance: The Travel Accident Insurance benefit also applies when travel itineraries are purchased using a Visa Corporate card. If an employee suffers an injury that results in loss of life or dismemberment when using a means of transportation, the Travel Accident Insurance will compensate with ranges from up to USD$250,000 to USD$1.5 Million, subject to the restrictions of the policy offered by your Visa Corporate issuer.

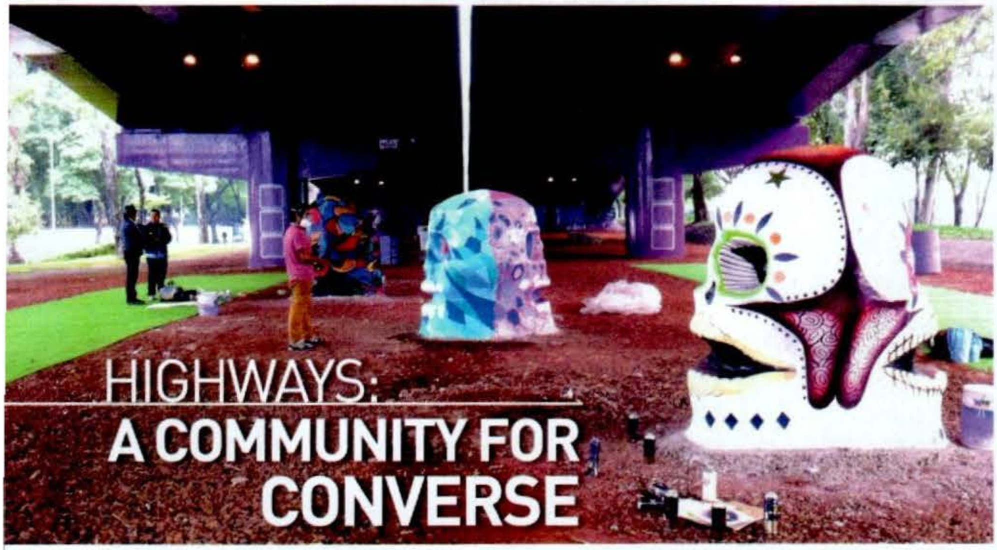
Corporate Liability Waiver: The Corporate Liability Waiver applies to all transactions performed with a Visa Corporate card, covering up to US$15,000 in losses due to misuse or fraud. Rather than limit card issuance to a few key executives, you can empower a larger segment of employees knowing that your company is covered subject to the restrictions of the policy offered by your Visa Corporate issuer. This allows you to take advantage of immediate sales and purchasing opportunities while minimizing liability risks.

Collision Damage Waiver: The Collision Damage Waiver applies to all car rentals made with a Visa Corporate card. If the employee's rental car suffers damages due to collision, malicious vandalism, fire or theft, the Collision Damage Waiver will cover those damages subject to the restrictions of the policy offered by your Visa Corporate issuer. This benefit offers global coverage and alone can provide your company significant savings.

In addition, Visa recently introduced a new Corporate Premium card offering to enhance the travel experience of senior executives, including access to VIP airport lounges, coverage in the event of ATM assault or hotel burglary, and more. This offering complements the many benefits of the Visa Corporate card program.

With our versatile and convenient solutions, Visa offers the right combination of travel benefits for your company as well as your employees. Our wide array of solutions, advanced technology and unsurpassed acceptance around the world allow you to tailor a personalized program that advances your business objectives. Please contact any Visa Corporate issuer to obtain additional information regarding the benefits, limitations and restrictions applicable to the Emergency Medical Compensation, Travel Accident Insurance, Corporate Liability Waiver, Collision Damage Waiver and other benefits available to Visa Corporate card users.

Diego Rodríguez is Head of Commercial Solutions for Visa Inc. Latin America Caribbean



HIGHWAYS: A COMMUNITY FOR CONVERSE

An audacious publicity campaign in Mexico and Brazil

BY PAULA ANCERY

Not all publicity campaigns are ATL (Above The Line) – that is, announcements distributed conventionally through television, print or radio. The world of BTL (Below The Line) is growing, and though it already exists in the form of promotions – events at which brands advertise to their audience or are mentioned in fictional stories – it has grown exponentially with the development of digital media. So, it's the case today that many publicists question whether there really is a dividing line between ATL and BTL, arguing that there's only communication.

However, this dichotomy is still in operation, as it explains how some campaigns operate. Take the case of Highways, a BTL promotion developed by the agency La Comunidad (Miami) for Converse, and put into action in cities in Mexico and Brazil.

The campaign consisted of recovering abandoned spaces in big cities. Jose Molla, chief creative director (and CEO) of the agency, explains: "We started by organizing the cleaning people at the chosen points, below the highway overpasses. Then, we transformed these places aesthetically, working together with local artists. And after that, they organized specific events there: city band concerts, art expositions, short films, fashion shows with the mosr promising local young designers, skateboarding exhibitions, etc. Finally, they donated the spaces to the city, so that the people could continue enjoying them."

This was the way La Comunidad resolved the brief that had been presented by the client, which was "to use color as a celebration of Converse's creative spirit and optimistic attitude of rebellion." From that starting point, the displays were made under overpasses, places that almost by definition were not used except to accumulate garbage. It was about "using the transformative power of color to recover lost areas of the city and transform them into cultural centers for the neighbors who lived nearby."

The campaign, as you can see, doesn't sell anything. It's only an initiative of the Converse brand to position itself close to its target market. "Today, it's much more interesting and effective when a brand makes a project with something tangible to improve the lives of the people, instead of simply interrupting with some publicity message," says Molla.

"We wanted to recover the public space instead of letting it be invaded with cars," says the off-stage voice in the short that presents the case study on the Internet. It's not a way of separating people who move around by car from people who move around on foot. Rather, it's to reinforce the attributes of the brand. The target market of Converse, as defined by Molla, is "all the young and not-so-young people who share the Converse mindset." For this reason, he adds, "the events that were created in the recovered spaces were based on the four content pillars that define Converse as a brand: music, street sports, fashion and art." The activation process lasted nine months – "as you can imagine, the logistics aren't easy, above all in terms of permits, security, etc." The events were carried out for a month in each of the cities.

In addition, this idea "helped to create much of the content for all the social network platforms that Converse has in each country," explains Molla. "These platforms, in turn, are also used to bring people together and spread the word about the events," he adds. In this way, the circle is closed without passing anything through ATL. However, it was perfect for "positioning the brand, to strengthen its personality and its local relevance," in the words of the director. LT

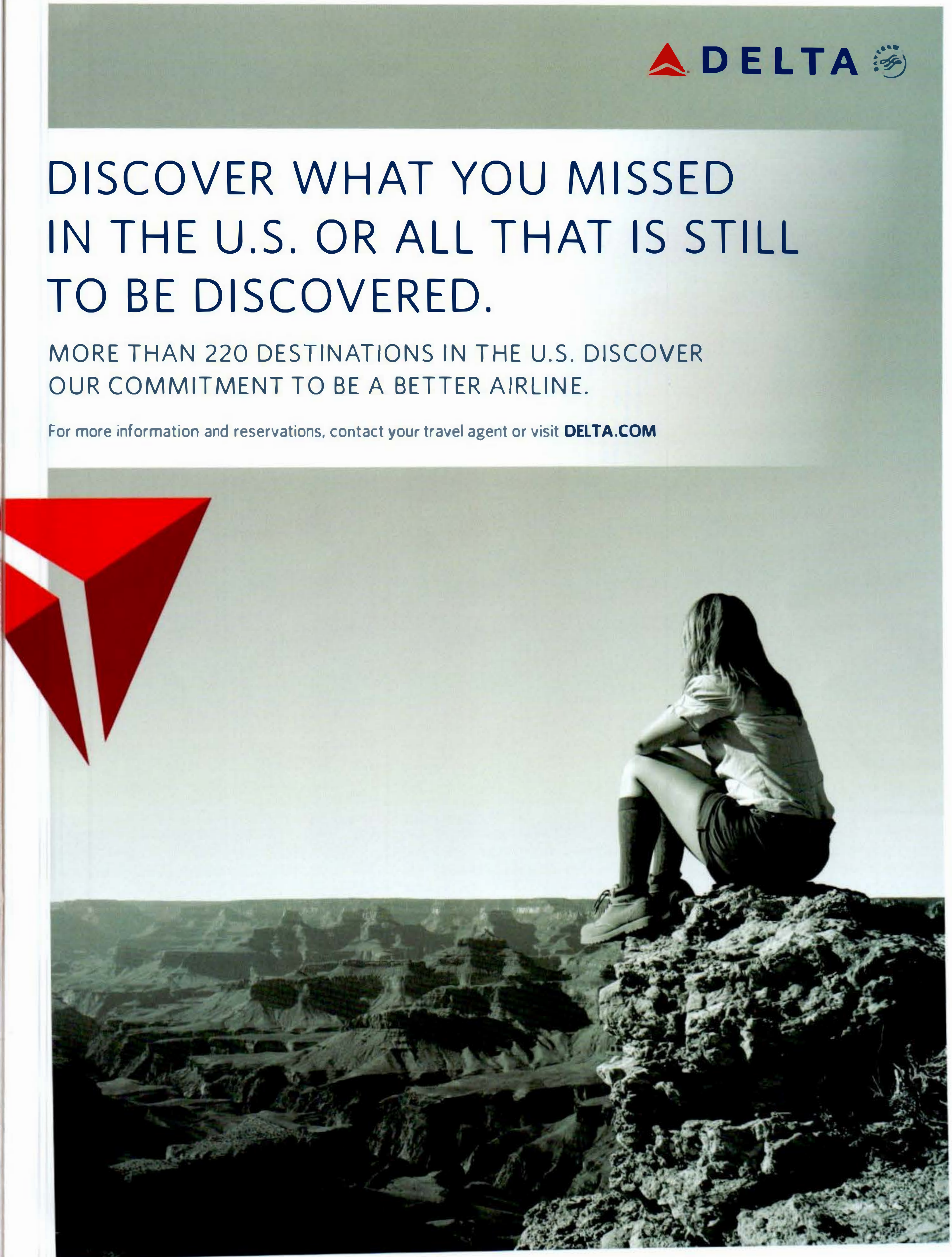
Paula Ancery reported from Buenos Aires.

TECHNICAL CREDITS

Title of Entry: Converse Highways
Client: Converse
Product: shoes, apparel
Design/Advertising Agency: La Comunidad Miami

CREDITS:
CEOs: Jose Molla & Joaquin Molla
Creative Directors: Ricky Vior & Leo Prat
Project Manager: Latoya Stirrup
VP of Integrated Production: Laurie Malaga
Senior Producer: Julio Rangel
Production Coordinator: Marco Argüello
Art Director: Sergio Sharek
Copywriter: Leo Prat
Production Company: Slash (Brasil)
Editor: Pablo Alberte
General Production: Discos Tormento
Production and Creation of Skull Installation: Dear Studio

PHOTOS: LA COMUNIDAD MIAMI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